

**Cranfield University**

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**The Role and Contribution of the Non Executive  
Director: Implications for Corporate Social  
Responsibility in the Boardroom**

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## ABSTRACT

This research examines the role and contribution of the Non Executive Director (NED) within the corporate board. The literature identifies the NED as a boundary spanner. Boundary spanners are believed to be essential to the fulfilment of the firm's corporate responsibility mandate. The research specifically examines the ability of the NED to influence corporate responsibility practices within the board, whilst balancing the divergent expectations of different constituents. Previous research examining the role of the NED has failed to take account of the context in which the role is performed. Therefore an interpretive framework is developed, to examine the individual subjective perceptions of the NED, from within the role.

Through a qualitative interpretation of 25 in-depth interviews, with individual NEDs, the dynamic context of the boardroom emerged as a key moderator of the their ability to make a contribution. The boundary spanning role prescribed for the NED by some theorists emerged as problematic. The research suggests that despite NEDs' personal expectation that they should represent a range of constituents, within the boardroom their ability to fulfil this role is often limited by the presence of groupthink. NEDs appear to set aside their personal beliefs in order to maintain the *status quo* within the group. As a result of their unfulfilled role expectations many NEDs appear to experience role conflict.

This research contributes to our understanding of the actual role of the NED within the corporate board, and specifically the NED's ability to perform a boundary spanning role. The research also informs business and society literature, by examining how boards currently deal with issues of corporate responsibility. Finally, the research contributes to both group and role theory, by developing current understanding of how the complex dynamics of the group affect the individual's ability to contribute.

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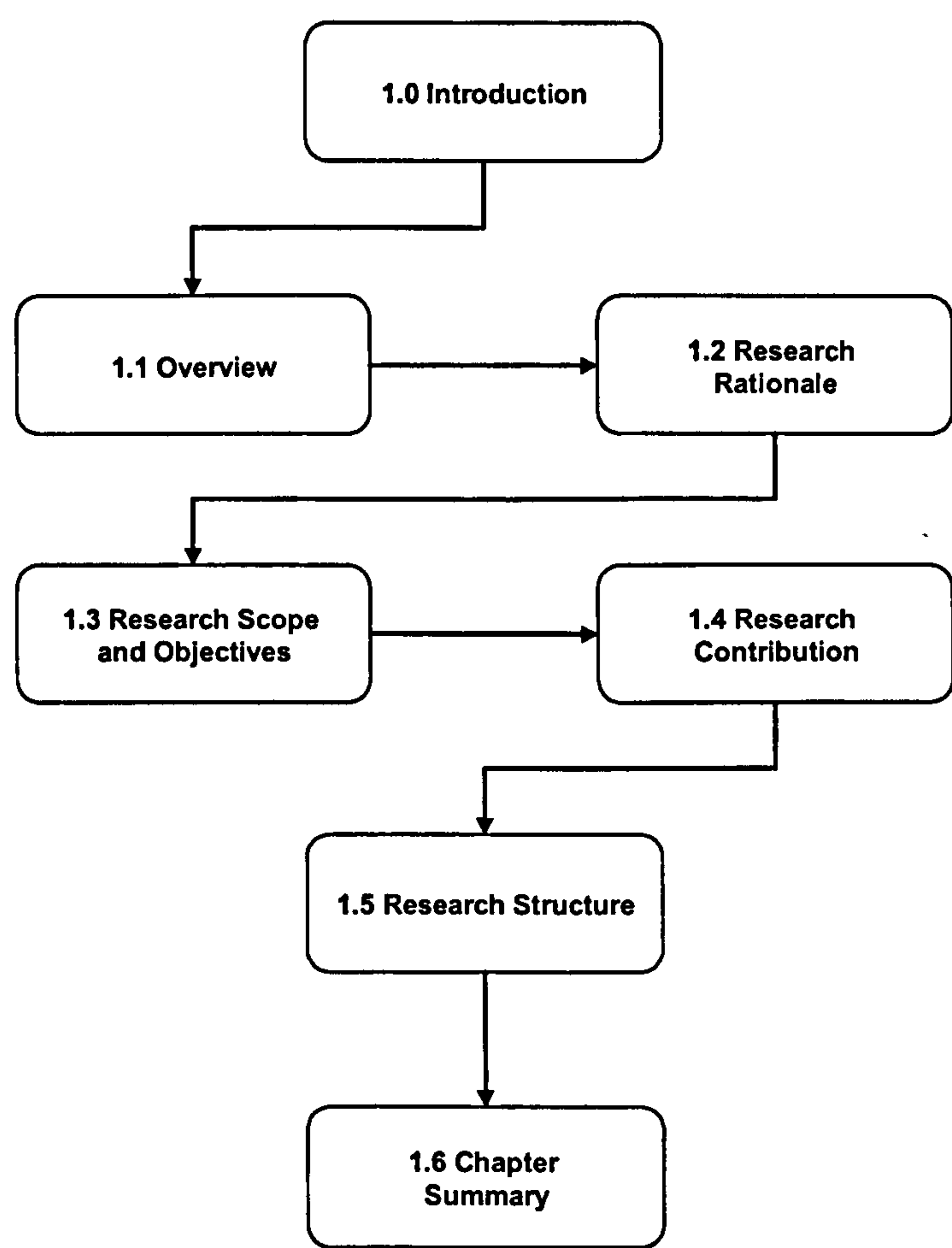
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# Chapter One: Introduction

## 1.1 Introduction

This research explores Non Executive Directors’ perceptions of their roles in the context of the corporate board. Specifically, the research examines the ability of the Non Executive Director to contribute to corporate responsibility practices whilst balancing the expectations of divergent constituents.

Figure 1.0: Chapter Overview



Source: Compiled by Author

The aim of this first chapter is to introduce the research topic and to provide a summary of the framework and development of the research. The chapter is divided into five sections: section one provides an overview of the research; section two introduces the rationale for the research; section three outlines the scope, objectives of the study and the research question; section four presents the contribution of the research; finally, section five outlines the structure of the rest of the research.

## **1.2 Research Rationale**

As organisations become ever bigger and more global, the importance of individuals at the apex who can steer business towards more ethical and responsible practices is crucial, both for society and for the long-term health of the organisation. Research suggests that organisations that behave in a responsible way are also, in the long-term, likely to be more profitable. However, managers are often believed to seek out short-term gain at the expense of long-term corporate sustainability.

Non Executive Directors are believed to play a pivotal role within the organisations in which they operate. The literature suggests that Non Executive Directors are sometimes appointed to deal with specific organisational constituents. They are likely to have a broad understanding of issues outside the organisation and are in position to provide the firm with scarce resources in the form of information and outside contacts. However, their role and contribution have been under-researched, and little is known about their actual contribution to organisational effectiveness or their actual operations within the board

The resource dependency literature describes the Non Executive Director as a boundary spanner. Boundary spanners are important because they facilitate organisations in the fulfilment of their corporate responsibility mandates. Understanding how Non Executives are able to fulfil this role for the benefit of both the organisation and society at large provides a topic of considerable importance both to academic and practitioner audiences.

### **1.2.1 The Need for Context**

To date there have been few studies which have been able to enter the inner sanctum of the corporate boardroom and actually talk to the people who hold the title ‘Non Executive Director’. Previous studies have tended to be positivistic, examining demographics, publicly available data and questionnaires with poor response rates. As a result of previous research approaches, little is known about the actual operations of the Non Executive Director within the corporate board and less still about the ability to influence corporate responsibility practices.

This research will use an interpretive approach, through the analysis of qualitative data and in addition will assess the actual subjective perceptions of Non Executive Directors themselves about their role within the corporate board. Through this approach the research will uncover a rich and complex understanding of the factors that moderate the Non Executive Director’s ability to make a contribution.



### **1.3 Research Scope and Objectives**

The aim of this research is to explore the role and contribution of the Non Executive Director in order to understand how these individuals are able to balance the expectations of divergent constituents whilst also making a contribution to corporate responsibility practices. The literature review presented in chapter two reveals that existing research which focuses on the role and contribution of the Non Executive Director is limited and tends to lack context. In addition no studies have been located which explore the Non Executive Directors' role in corporate responsibility from their own perspective. As a result of the literature review the following research question was developed:

**How do Non Executive Directors in their role as boundary spanners on corporate boards, balance divergent expectations whilst contributing to corporate responsibility practices?**

Through this question the research has sought to:

- a. Identify the Non Executive Directors' perceived role within the corporate board.
- b. Explore the factors which appear to moderate their ability to make a contribution.
- c. Explore the implications of the Non Executive Directors' perceptions of their roles for their ability to contribute to corporate responsibility practices.
- d. Explore the Non Executive Directors' perceptions of the expectations of divergent constituents.

- e. Propose a model that enables academics and practitioners to understand how the boardroom context moderates the ability of the Non Executives to fulfil their perceived roles.

## **1.4 The Contribution of this Research**

This section summarises the empirical contribution that this research makes. A fuller explanation of the contribution to both theory and practice is located in chapter seven of this thesis.

### **1.4.1 Academic Contribution**

The results of this research make a number of contributions to academic knowledge. Most significantly the research adds new insight into the actual role of the Non Executive Director within the corporate board using the Non Executive Director's own unique perceptions of the role. The research has identified the contextual nature of the role and explored the factors that moderate the Non Executive Director's ability to make a contribution.

The research contributes to the literature on business in society. This research has explored the perceptions of individuals who with the right motivation have the ability to make a significant impact on the role of business in society. The findings suggest that the excessive use of financial language impedes the ability of the Non Executive Director to introduce corporate responsibility issues. Corporate responsibility issues are perceived as requiring the use of 'soft language', which does not fit easily with the groups' behaviour norms.

The research also makes a contribution to the literature on director interlocks. The findings suggest that Non Executives are often forced to rely on their interlocking directorates to find information about corporate responsibility practices, because they lack legitimate sources of information and training. This research contributes to our understanding of interlocking directorates by adding a new instance of the effect on a firm's behaviour. The research findings suggest that interlocks can, at times, influence the likelihood of firms adopting corporate responsibility practices.

This research contributes to boundary spanning theory and literature, Non Executive Directors are described by some theorists as 'boundary spanners'. The research findings suggest that, although often employed to act as boundary spanners, the Non Executive Director's potential to fulfil this role is not always utilised effectively by the host organisation. The Non Executive Director's role as a successful boundary spanner is therefore questionable. The implications of these findings challenge earlier research which argues that boards provide the link between managers and shareholders and the wider environment.

The research adds to our understanding of the sources and uses of power in the boardroom. The findings support previous research conclusions that information and power asymmetry affects the Non Executive Director's ability to influence events. In addition this research suggests that language can be used as a source of power in the boardroom in order to control the behaviours of others; this finding contributes to the work on social control theory.



The research also adds to social control theory by confirming that within boards of directors those with very high group status might not always be subject to social controls to the same extent of lower status members. Further, the findings add to our understanding of the effect of personal capabilities. The Non Executive's ability to perform his role is affected by his tangible capabilities as well as the perceptions of others in the team of his capabilities and status. The ability of the Non Executive to instigate a contribution is facilitated, if other members of the board perceive that the Non Executive Director is in some way powerful, in terms of capabilities, reputation and influence within the group.

The research contributes to our understanding of complex decision-making processes within the board of directors. The findings suggest that Non Executive Directors use bounded rationality when dealing with complex issues, because of information asymmetry within the group. The resultant reliance on financial language often fails to reveal the subtlety of choice needed for effective decision-making, particularly in the context of corporate responsibility issues.

The findings of this research contribute to both agency and stewardship theory. The prevailing agency view of boards of directors appears to be overly simplistic. The Non Executive Directors' role expectations encompass control elements in line with the normative agency approach to corporate governance, but also long-term organisational goals, which more closely reflect the behaviour of a steward. Non Executive Directors enter the boardroom in the belief that their role is to protect a range of different constituents, not just shareholders.



The findings of this research contribute to our understanding of the dynamics of the board of directors, in particular the prevalence of groupthink, which leads the Non Executive Director at times, to cognitively suppress the expectations of external constituents. Once in the boardroom, many Non Executives set aside their personal beliefs in order to conform to their perceptions of the group's norm. Non Executive Directors appear to prefer to maintain the *status quo* within their group, rather than risk social sanctioning or exclusion. They fear acting alone. Instead, Non Executives display functional commitment to the group. Non Executive Directors appear to effectively relinquish some external role expectations in order to maintain their membership and social status within the group.

The research adds a contribution to the literature on roles, role theory and in particular to that of role conflict. The research reveals that Non Executive Directors appear to experience role conflict, due to the disparity between their personal expectations and their moderated behaviour within the boardroom. This finding is noteworthy because some studies have suggested that upper echelons do not experience role conflict to the same extent as lower level role types, because they have more control of their environments

In addition to adding to the debate on the role and contribution of the Non Executive Director, this research makes a small methodological contribution. Despite many calls for more work that explores the real work of corporate board members, to the best of the author's knowledge this study is the first to use an interpretivist approach to examine the subjective perceptions of the individual Non Executive Director. The

use of in-depth interviews to develop thick descriptions has allowed a unique insight into the Non Executive Directors' perceptions of their important role.

#### **1.4.2 Practitioner Contribution**

This research makes an important contribution to management practice. By examining how the board of directors, and specifically the role of the Non Executive Director within the boardroom, works. In particular, the research provides guidance to those who wish to improve the relationships between business and society, by highlighting the current problems that the Non Executive Director experiences in trying to contribute to this important endeavour.

The research also contributes to management practice by highlighting the role of boardroom dynamics in mediating the ability of those within the board to make a useful contribution. In particular, it highlights the need to ensure that board members understand their purpose and are provided with the facilities and training necessary to fulfil their role.

The research also provides insight to practitioners on the overuse of financial language in the boardroom, which may not always reveal the nuances necessary for effective decision-making. This type of language also makes it difficult for board members to introduce soft issues into the debate. The research suggests that financial language is also difficult for some board members to understand. Practitioners need to find ways to introduce more contextual dialogue into the boardroom or, as a very minimum, ensure that all board members understand the debate in progress.

This research also contributes to our understanding of how the individual Non Executive Directors' capabilities are utilised within the board. The research supports previous arguments that have suggested that by simply placing highly capable individuals onto a team will not in itself make a team work effectively. The research also finds support for the notion that just because individuals have specialised skills and knowledge does not necessarily guarantee their effective use by the team. Time, good management and the right mix of individuals remain as essential for long-term success.

## **1.5 Research Structure**

This research is presented in seven chapters. Chapter one, the current chapter, presents the research rationale and the objectives for the research. This is followed by a summary of the research contribution to both theory and practice and a review of the research structure.

Chapter two reviews the literature as it relates to the research topic. The research gap is identified along with the research question that will be used to guide this research.

Chapter three describes the methodological and philosophical choices that have guided this research. The research framework is discussed along with the findings of the initial pilot study investigation.



Chapter four presents the complex analysis of the research. Emerging themes are developed using a qualitative interpretive approach, which facilitates the use of the actors' own words.

Chapter five develops the complex analysis in chapter four by relating it back to existent knowledge, whilst still using the actors' own words to illustrate specific instances in order to preserve their original meanings and perceptions of their role and contribution.

Chapter six reports the findings of the analysis as they relate specifically to the research question; a tentative model is presented to aid the explanation of the key findings. The model is followed by a set of propositions that might be used to test the model in the future. This is followed by a discussion of the implications of the research findings.

Chapter Seven completes the research by demonstrating the originality and contribution of the research to both the academic and practitioner communities. The limitations of the research and suggestions for areas of further study are also presented in this closing chapter. The research will close with a short reflection from the author on the journey undertaken to bring this thesis to completion.



## **1.6 Chapter Summary**

This chapter has introduced the research topic along with the rationale that underlies the research. The aims of the research have been identified along with a summary of the contribution that this research makes to both theory and practice. The next chapter, chapter two, will present the literature review

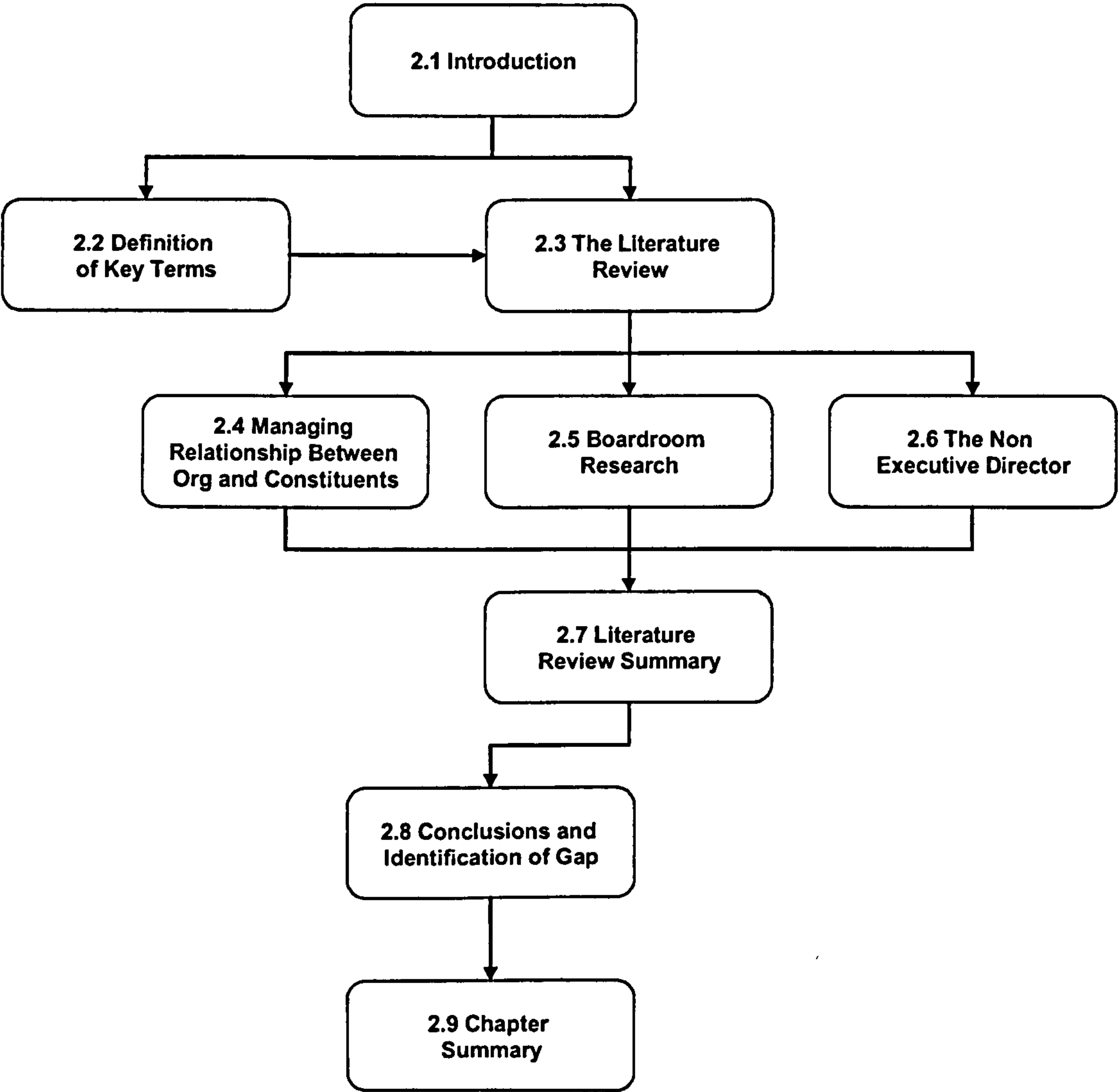
## **Chapter Two Literature Review**

### **2.1 Introduction**

This aim of this chapter is to systematically examine the existing literature surrounding the role and contribution of the Non Executive Director within the context of the corporate board. In addition, the chapter will examine the importance of corporate responsibility practices in terms of its two major dimensions corporate governance and corporate social responsibility. The chapter will identify the role of the board and the individual Non Executive Director in terms of the current literature and establish the key factors that might influence the Non Executive Director's behaviour.

The chapter is designed to facilitate the identification of a gap in the literature and, as a result, the final section of this chapter will present the research questions and the conceptual framework for this research. The chapter is presented in three parts: part one defines the key terms, which will inform the rest of this research; part two comprises a review of the literature; part three identifies the research gap the research question that has emerged from the literature review. The outline of this chapter is provided in figure 2.1 below:

**Figure 2.1 Outline of Chapter 2**



**Source: Compiled by the Author.**

**2.2 Definitions of Key Terms**

This section will provide an introduction to the key terms that will be used throughout this research. They have been arranged into three categories, covering the main theories that underlie this research, concepts such as the corporate board, which impact upon the study and finally the perspectives from which this research

will be conducted. Some definitions may be classified differently elsewhere. However for the sake of clarity, the meanings as they should be understood for this research are contained here.

### **2.2.1 Theories**

Role Theory: A role is the set of behaviours that others expect of individuals in a certain context (Kahn et al. 1964; Katz and Kahn, 1978; Friedman and Podolny, 1992; Floyd and Lane, 2000). When roles are not clearly defined, individuals may experience role conflict or role ambiguity. This may lead to distress for the individual, avoidance tactics, lying, the withholding of information and organisational exit (Floyd and Lane, 2000).

Groupthink: Janis (1971) refers to a phenomenon found in some groups where individuals ignore evidence that is contrary to a course of action or idea to which the group has already psychologically committed itself. (Floyd and Lane, 2000)

### **2.2.2 Concepts**

Corporate Board: Corporate boards are characterised by Forbes and Milliken (1999) as “large, elite and episodic decision making groups that face complex tasks pertaining to strategic-issue processing”. An important difference between top management teams and boards is that boards are designed to influence and monitor



strategy – they do not implement strategic decisions or handle the day-to-day administration.

Non Executive Directors: Non Executive Directors are sometimes referred to as “part time”, “independent” or “outside” directors. Non Executive Directors are defined in the corporate governance literature as “all non management members of the board” (Johnson et al. 1996: 417). Their role is to act as advisors to the management of the organisation and to ensure that the organisation is being run in the interests of its owners.

Executive Directors: These are the individuals responsible for the day-to-day operations of the firm and are sometimes referred to as “Inside Directors”. Executive Directors are described in the corporate governance literature as “those directors also serving as firm officers” (Johnson et al. 1996: 417): Some, though not all, of a company’s directors will sit on the corporate board, they generally include the CEO and Finance Director. Executive Directors are responsible for implementing the organisation’s strategy and report to the company’s shareholders via the Board.

### **2.2.3 Perspectives**

Constituents: In order to overcome the confusion within the stakeholder debate over who is and who is not a stakeholder (Waddock and Graves; 1997b), this research will use the word ‘constituents’ to describe the various parties with whom Non Executive Directors might have a relationship. In addition to providing a more

holistic view of the parties who might effect or be affected by the Non Executive Directors this definition is also used because many of the individuals who took part in this study disliked the term stakeholder they described it as poorly defined and generally unhelpful. The use of the word 'constituents' within the context of this research refers to shareholders, fellow board members, managers, the CEO, Chairman of the board and those groups and individuals identified by Hampel (1998) as having an interest in the organisation, this will be discussed in more detail later in the chapter.

Corporate Responsibility: This research aims to explore the Non Executive Directors' role, in terms of their ability to balance divergent constituents. As was defined above, constituents include those affected by corporate governance practices as well as the social behaviour of the organisation. As a result in subsequent chapters this research uses the overarching term 'corporate responsibility' rather than either 'corporate governance' or 'corporate social responsibility' (CSR) because the focus of the research is on the overarching influence of the Non Executive, as characterised by these issues.

Boundary Spanners: Boundary spanners provide communication between stakeholders and the organisation, representing the perceptions, ideas and expectations of each side (Aldrich and Herker, 1977; Friedman and Podolny, 1992).

Capabilities: The researcher could not locate a working definition of capabilities as they might relate to a Non Executive Director. However, the importance of

capabilities for the ability of the Non Executive to discharge his boardroom role would suggest that a definition would be useful at the outset of the thesis. For the purposes of this research the individual's personal capabilities relate to the sum of his previous experience and knowledge, his personal ability to apply that experience and knowledge and the perceptions of the rest of the board as to his reputed ability to use those skills successfully.



## **2.3 The Literature Review**

### **2.3.1 Introduction**

This section will examine the existing literature in relation the area of inquiry, specifically the role and contribution of the Non Executive Director within the context of the corporate board. In addition, the literature review will draw upon other theories and concepts that will be used to inform the research. The section will explore the relevance of the chosen research topic and using existing literature make the case for the need for this empirical study to fill a gap in the current literature. The section is presented in three parts; part one will examine the importance of corporate responsibility; part two examines the board of directors; part three examines the role of the Non Executive Director.

## **2.4 Managing the Relationship between the Organisation and its Constituents**

*Society grants legitimacy and power to business; in the long run, those who do not use power in a manner which society considers responsible will tend to lose it.*

Davis's 'Iron Law' (1973: 312)

### **2.4.3 Divergent Constituents**

Managing an organisations constituents has in modern times fallen under the remit of so called “stakeholder theory”, this is concerned with the balancing of the needs of a variety of groups and individuals who are deemed to influence or are influenced by the behaviour of the organisation. Stakeholder theory can refer to a single individual or group, a group of individuals or a subset of an identifiable group of

individuals (Scott and Lane, 2000). Freeman and Reed (1983: 91) proposed two definitions of stakeholders firstly “wide sense” including groups which are friendly or hostile to the company and secondly “narrow sense” any group on which the company is dependant upon for its ongoing survival. Donaldson and Preston (1995) argue that stakeholders should include all those who have an expectation of gain through the organisation’s successful operation. This definition, though, leaves out two important subsets of stakeholders: firstly, those who may lose through those successful operations and secondly, those who can, by whatever means, influence the organisation in either a positive or negative manner. The most commonly cited definition of a ‘stakeholder’ is that of Clarkson (1995: 106) “Persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present or future”.

The broad and ill-defined nature of stakeholder theory (Hendry, 2001) has been argued by many scholars to lead to managerial decisions that are sub optimum (Dunham and Freeman et al, 2001; Phillips, 2002; Jensen, 2002; Phillips and Freeman et al, 2003). The resultant lack of clarity as to the identity and appropriate degree of importance of different constituencies within stakeholder theory, has it is argued created a vacuum, within which some managers have been able to develop strategies that are not in the best interests of the firm itself, its constituents and even its owners. Stakeholder based decision-making may work against the normative agency model of corporate governance because it leads to the sanctioning of behaviours that may not be in the best interests of the firm’s owners (Jensen, 2002).

In some cases the use of stakeholder models may encourage a shift to a stewardship style of boardroom behaviour rather than the traditional agency style of approach. It is the view of the researcher that what is actually needed, is a degree of balance between these various constituents of the firm, in order to ensure its ongoing existence as both a successful business and also a societal entity. By addressing and balancing the needs of various key constituents managers can increase the efficiency of the firms adaptation to external demands (Freeman and Evans 1990), the board of directors understanding of who these constituents are and how they should be balanced is likely to be key to long term success. This section will examine the importance of effective balancing of divergent constituency issues towards the long-term survival of the firm.

#### **2.4.3a The Importance of Managing Divergent Constituents**

The principle that organisations have many constituents or stakeholders is now widely accepted in the management literature (Wood, 1991). The balancing of constituent issues is described as a “primary management function” (Donaldson and Preston, 1995; Clarkson, 1995; Waddock and Graves, 1997; Harrison and Freeman, 1999). Authors such as Scott and Lane (2000) and Pfeffer (1981) argue that the principal job of leadership is to manage organisational identity to enhance reputation in the eyes of constituent groups; in fact reputation should receive “constant leadership attention” (Petrick et al. 1999: 60). The role of Non Executive Directors in developing these practices is unclear. From the review so far, it is clear that Non Executive Directors should have an important role to play in communicating issues



to certain constituents, but how this role is played out in practice has not previously been thoroughly researched.

Organisations serve multiple constituents, all with distinct criteria for assessing corporate performance (Fombrun and Shanley, 1990). Ogden and Watson (1999) in their study of the effect of improved customer orientation in the newly privatised UK water industry found that improving behaviour towards customers increased shareholder value, despite the need for short-term discretionary expenditure, whilst Turban and Greening (1996), found that organisations with reputations for high levels of corporate responsibility were more attractive to prospective employees. Such attractiveness is vital when trying to recruit superior personnel who may already have many job offers (Fombrun and Shanley, 1990; Turban and Greening, 1996). Constituents rely on corporate reputation when making “investment decisions, career decisions and product choices” (Fombrun and Shanley, 1990: 233).

Because of managers’ limited resources, their ability to deal with constituent expectations is likely to be limited. As a result, the most powerful constituents are likely to be dealt with first, with less powerful constituents being dealt with as and when resources allow (Nasi et al. 1997). “The squeaky wheel gets the grease; and even more, the loudest squeak gets the most grease” (Nasi et al. 1997: 317). Clarkson (1995) argues that it is important to distinguish between an organisations constituent issues and wider social issues; his research suggests that corporations and managers are likely to have relationships with specific groups rather than with society as a whole (Clarkson, 1995). The Hampel Report (1998) identifies (though

not exhaustively) these groups as follows: employees, customers, suppliers, credit providers, local communities and governments. The Report recognises that the relationship directors have with shareholders is different from that which they have with other constituents. “The directors as a board are responsible for relations with stakeholders (constituents); but they are accountable to shareholders” (Hampel, 1998).

Jensen (2002) argues that stakeholder theory is flawed because it does not provide advice as to how to differentiate between the needs of different constituents; this leaves managers to make their own (sometimes unprincipled) choices as to which groups are most important. Despite this developing goodwill within one constituent group, when carried out shrewdly, appears to create synergy with other constituent groups (Donaldson and Preston, 1995; Waddock and Graves, 1997; Ogden and Watson, 1999). So, for example, creating a safe, high-quality product will increase the perception of good reputation not only with customers, but also suppliers, employees and shareholders, thereby multiplying reputational capital. Waddock and Graves (1997: 254), suggest that “quality of management” can be defined, at least in part, “as the firm’s overall reputation for being soundly run”. Their findings suggest that the traditional view of reputation as a measure solely of financial performance is inadequate and incorrect. When assessing the reputation of an organisation, the ability of management to balance the requirements of divergent constituent groups appears to be critical to reputational success.

According to Weigelt and Camerer (1988: 443) corporate reputation is an “asset which can generate future rents” as well as long-term strategic advantage (Caves and Porter, 1977; Petrick et al. 1999). We can define it as the outcome of a competitive process in which firms signal their key characteristics to constituents to maximise their social economic and moral status (Spence, 1974; Fombrun and Shanley, 1990; Petrick et al. 1999). Weigelt and Camerer (1988: 449) discuss the importance of strategies that invest in “non salvageable firm-specific assets” such as contributions to socially responsible causes designed to create barriers to new market entrants.

Reputational capital can be defined as “that portion of excess market value that can be attributed to the perception of the firm as a responsible domestic and global corporate citizen” (Petrick et al. 1999: 60). As the media becomes more global, businesses are under great pressure to behave in an ethical way in all their operations (Ahmed, 2003; (Simms, 2000; Nakra, 2000). An organisation may spend years developing a relationship with its constituents only for it to be destroyed in an instant (Petrick et al. 1999).

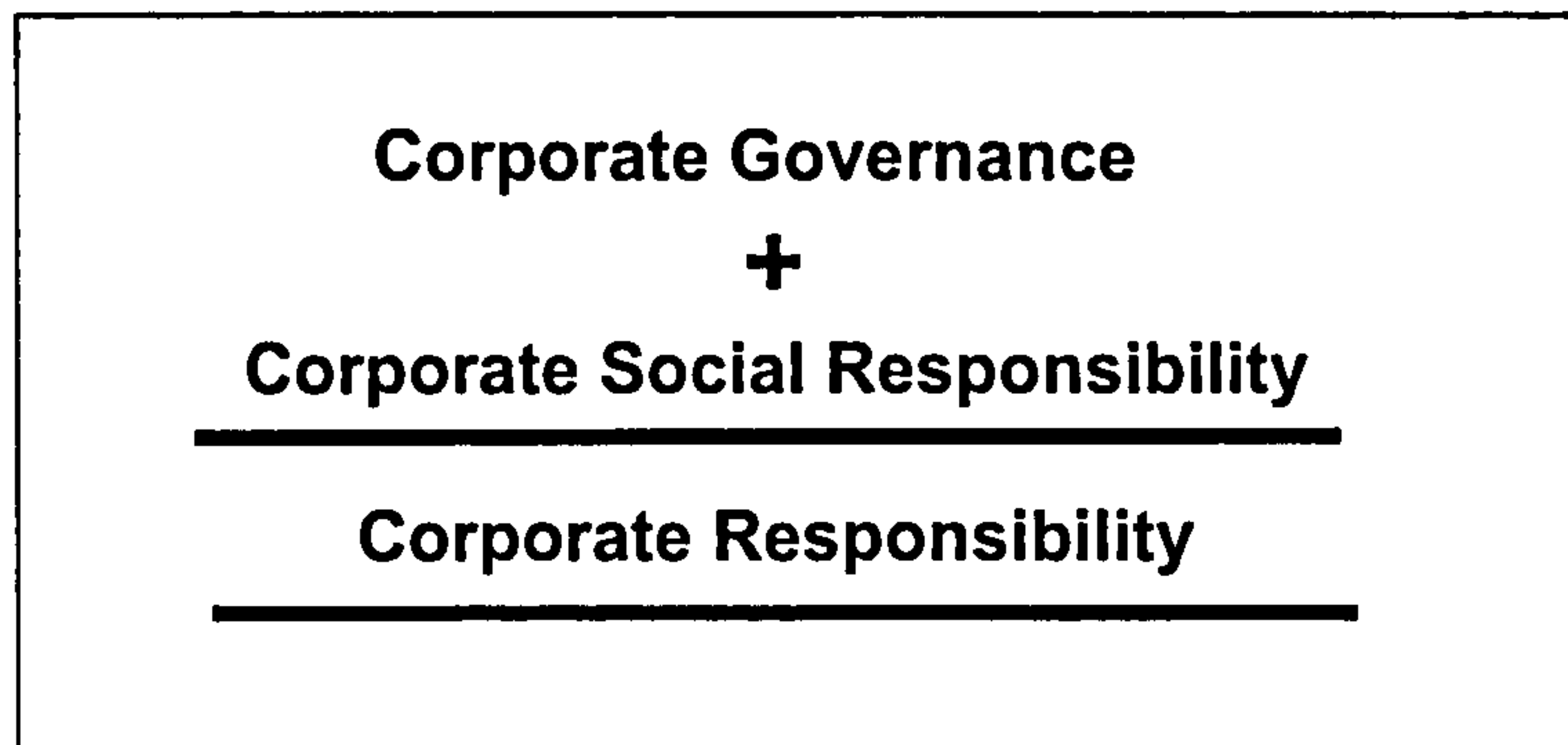
#### **2.4.1 Corporate Responsibility**

For the purposes of this study, corporate responsibility has two major dimensions; the first is in terms of the organisation’s responsibilities to its shareholders through corporate governance Becht (1997). The second dimension to corporate responsibility relates to the way in which the organisation discharges its



responsibilities to broader constituents, in terms of corporate social responsibility. The two dimensions of corporate responsibility practices are illustrated in figure 2.2.

**Figure 2.2: The Two Dimensions of Corporate Responsibility**



**Source: Compiled by the Author**

This definition builds on that of Demp and Neubauer (1992: 9) who take a broad perspective on corporate governance, arguing that corporate governance “is the process by which corporations are made responsive to the rights and wishes of stakeholders”. To avoid the confusion currently surrounding the inclusiveness of the concept of corporate social responsibility (Waddock and Graves, 1997) and the dual use of the term corporate governance, this research will adopt an overarching definition ‘corporate responsibility’ to describe the way in which the board discharges its duties to its broad constituents. The two dimensions to corporate responsibility will be discussed in more detail next.

#### **2.4.1a Corporate Social Responsibility**

The premise underlying corporate social responsibility (CSR) is that business and society are inextricably linked rather than being separate entities: society has the

right to expect certain standards, behaviour and outcomes from business, in return for which it allows business to exist (Wood, 1991; Szwajkowski and Figlewicz, 1997; Badaracco, 1998; Swanson, 1999). For the purposes of this study Davis's (1973) definition of CSR has been chosen. It is considered to be a classic definition (Wood, 1991) and not only encompasses the importance of societal influences but also acknowledges the importance of economic survival for the firm. Davis defines CSR as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm (to) accomplish benefits along with the traditional economic gains which the firm seeks" (Davis 1973).

The debate on the proper relationship between business and society has continued for many years and in recent decades attention has focused on the concept of corporate social responsibility (Klonoski, 1991; Wood, 1991; Greening and Gray, 1994). Well publicised corporate scandals, such as Enron and WorldCom, along with environmental disasters such as that of Union Carbide in Bhopal, have inevitably channelled debate about the dilemmas decision-makers face in being simultaneously good managers through maximising shareholder value, whilst at the same time balancing the needs and requirements of society, through behaving in a way that is both ethical and equitable towards the needs of diverse constituents (Freeman, 1994). Steering firms towards more socially responsible practices is now a strategic consideration of growing importance (Prahalad and Hamel, 1994; Egri and Herman, 2000; McWilliams and Siegal, 2000). Social reporting (Jackson and Bundgard, 2002), triple bottom lines (Clarke, 2001) and stakeholder models

(Clarkson, 1995) have all emerged in recent years in an attempt to address constituent audiences.

#### **2.4.1b Linking Corporate Social Responsibility and Firm Profitability**

According to neo-classical economic theory, the main aim of business is profit maximisation, as long as it stays within the rules of the 'game' (Friedman, 1962). This has been used by some as a reason for discouraging organisations from adopting social policies. Although there has been some debate over the linkages between CSR and profitability, there now appears to be evidence that such a link does exist. Organisations that are perceived to behave in a way that is respectful of the needs of broad constituents and maintain and develop a good reputation, are also likely to be more profitable (Fombrun and Shanley, 1990; Caccese, 1997; Vergin and Qoronfleh, 1998; Roman et al. 1999), when compared to those organisations that rely solely on profitability as their end goal.

Roman et al. (1999), identified studies over the past three decades that have scrutinised the correlation between CSR and corporate financial performance (CFP). They paint an interesting picture. During the 1970s, interest was starting to develop into the correlation between social performance and financial well-being. Results were somewhat mixed, but it is clear from the data that some kind of relationship was starting to emerge. The 1980s produced many studies into the relationship, with very mixed results. This fuelled the debate well into the next decade and has led to a very conservative approach on the part of management scholars who, despite the



work carried out during the 1990s (which appears to indicate a definite link between CFP and financial performance), have continued to debate the linkage and are still not prepared to say authoritatively that a link does exist.

Waddock and Graves (1997a) describe the link between CSR and financial performance as a “virtuous circle”. Their research showed a link, but found it difficult to distinguish what came first, strong financial performance or good behaviour. They concluded that the two variables operated together, strengthening each other and creating a “strategic intent” within the organisation and an understanding by constituents of the philosophies that guide the organisation. Sz wajkowski and Figlewicz (1997), reached a similar conclusion, arguing that both financial and social performance are driven by effective management in terms of both values and practice and how these fit with the demands of constituents.

By managing the requirement of a broad range of constituents the board of directors may facilitate the legitimisation of the organisation (Ogden and Watson, 1999; Lerner and Fryxell, 1994; Nasi et al., 1997), enhancing overall organisational reputation and improving long-term financial performance (Waddock and Graves, 1997a; Ogden and Watson, 1999; Roman et al., 1999; Antunovich et al., 2000).

#### **2.4.2 Corporate Governance**

The most well know and commonly understood definition of corporate governance is probably that used in the Cadbury Report, governance is “the system by which

companies are directed and controlled; with boards of directors being responsible for the governance of their companies” (Cadbury, 1992: 2.5). Becht (1997:11) describes corporate governance as being “about the mechanisms that can ensure that powerful managers run companies in the interests of their owners”. Demp and Neubauer (1992: 9) take a broad constituency perspective on corporate governance, arguing that corporate governance “is the process by which corporations are made responsive to the rights and wishes of stakeholders”.

The literature on corporate governance as a possible source of performance enhancement in its own right has grown significantly in recent years (Dimma, 1996; Dalton and Daily, 1999; Cutting and Kouzmin, 2000; Oliver, 2000; Korac Kakabadse et al. 2001). One reason for this may be the fact that institutional investors are now less willing to simply stand idly by when companies in which they have invested heavily fail to perform (Dimma, 1996; Sudip, 1999; Meyer, 2000). Another reason might be that information is now much more widely available to constituents on the behaviour of organisations and their executives (Drucker et al. 1997).

Jensen (2002) uses the term “enlightened value maximisation” to describe the management of broader constituents towards enhanced corporate profitability. Jensen suggests that the real debate should be about what behaviour will result in the least social waste “what will get the most out of society’s limited resources (Jensen 2002: 238). However despite the growing interest in corporate governance, Korac Kakabadse et al, (2001) argue that the link between good governance and enhanced

performance has not been irrefutably proven. In terms of the board of directors studies such as Dalton and Daily (1999: 28), in their analysis of 159 earlier studies covering a forty-year period, they found no clear link between board composition and financial performance. A number of frameworks have previously been used to analyse the effect of corporate governance within organisations. Resource dependency, legalistic, class hegemony, agency theory and stakeholder models are all commonly used to assess the ability of the board of directors to influence corporate performance (Korac Kakabadse et al, 2001). This research aims to understand the contextual nature of the Non Executive Directors role therefore an integrative theoretical approach will be used within this study.

Despite problems in identifying the actual link between corporate performance and governance practices, the link between perceived shareholder value and governance is shown clearly in a study by the consultancy firm McKinsey & Co (2000), who found that institutional investors around the globe were prepared to pay a premium for well-governed companies in the UK or USA of up to 18% and up to 27% in Asia and Latin America. Well governed companies were defined in the study as those who hold regular director evaluations, are responsive to investor requests for information on governance issues, have directors who receive a majority of their pay in stock options and – importantly for this research – with a majority of outside directors on the board. This may be because, as agency theory and legal perspectives suggest, outsiders have the potential to appraise strategic alternatives more objectively (Fama and Jensen, 1983).



The essential purpose and underlying mechanisms of corporate governance are more similar than different in the UK and USA (Demp and Neubauer 1992: 9). In the UK and also the USA, the governance debate has focused on the “responsibility and accountability of corporate managers” (Becht, 1997: 10). There have been calls for fewer inside directors, the separation of the role of Chairman and CEO, the creation of self-governing nominating committees, systematic evaluations of the CEO, independent nominating committees and the designation of lead directors (Alderfer, 1986; Cadbury, 1992; Becht, 1997; Hampel, 1998; Hambrick and Jackson, 2000: 108; Cutting and Kouzmin, 2000: 499; Oliver, 2000; Meyer, 2000). Becht (1997: 11) describes this debate on corporate governance as being “about the mechanisms that can ensure that powerful managers run companies in the interests of their owners”.

#### **2.4.2a Agency Theory**

The UK and USA governance systems are based predominantly on agency theory, which deals with the contractual relationships between parties. In the context of this research, agency theory examines the relationship between managers and owners and argues that managers (agents) will always try to maximise their own benefit, even at the expense of the owners (shareholders) of the business (Eisenhardt, 1989; Davis et al. 1997). The role of the Non Executive within the agency model is to control the self-serving behaviour of management on behalf of shareholders (Eisenhardt, 1989).

Much of the agency theory literature is concerned with the governance procedures necessary to avoid the problem of “*self-serving behaviour*” (Eisenhardt, 1989: 59). Conflicts are avoided through the “*coalignment of incentives*” (Eisenhardt, 1989: 63). Such an incentive might take the form of a performance bonus for the board, or payments in shares rather than cash. High equity holdings by board members are believed to align their interest with those of shareholders. This may lead the board to take a longer-term perspective and to attempts to “avoid negative reputations” from inappropriate behaviour (Johnson and Greening, 1999: 568).

Agency theory makes an important contribution to organisational research; it regards information as a vital commodity that can be bought. By arguing this, according to Eisenhardt (1989: 64), it gives an important role to formal information systems such as the board of directors (Fama and Jenson, 1983). When boards are provided with rich information, senior executives are likely to engage in behaviour that is consistent with the interests of shareholders. To test this Eisenhardt (1989: 65) suggests that it might be possible to determine the operational richness of boardroom information by measuring the following:

- Number of board meetings
- Number of board sub-committees
- Number of board members with long tenure
- Number of board members with managerial and industry experience
- Number of board members representing specific ownership groups

Non Executive Directors are believed to be of key importance to this information gathering and dissemination process; and their role as boundary spanners

(Geletkanycz and Hambrick, 1997: 662) may place them in a position of power. Boundary theory argues that as receivers of rich information Non Executive Directors will choose only to pass on that information which they consider relevant or alternatively will choose to retain information in order to improve their individual status (Aldrich and Herker, 1977: 218; Wood, 1994: 199). Furthermore, Non Executive Directors may face role conflict in dealing with both internal and external constituents who have differing agendas as well as varying degrees of power and control over the individual Non Executive and the board. Indeed Jensen (2002) argues that many senior executives are placed in an impossible position by the need to balance constituency demands with few usable guidelines as to how to assess the merits of divergent choices. This may lead to distress for the individual, avoidance tactics, lying and organisational exit (Friedman and Podolny, 1992; Floyd and Lane, 2000: 162). To overcome this, organisations must see that the right culture, formal and informal mechanisms are in place to ensure that information is both received and acted upon in a timely fashion (Tushman and Scanlan, 1981; Friedman and Podolny, 1992; Wood, 1994: 199; Floyd and Lane, 2000) It is argued that the agency model may not explain some situations; a further theoretical dimension may be necessary to account for the behaviour of some boardroom members and some boards as a group.

#### **2.4.2b An Alternative to the Agency Model: Stewardship Theory**

Stewardship theory is relatively new (Davis et al. 1997). This theory views the director as a steward whose wants are closely aligned with those of the organisation,



and whose behaviour is described as “collective and pro-organisational” (Davis, Schoorman et al. 1997: 26). When faced with the competing objectives of stakeholders and shareholders, stewards are motivated to make choices that are in the best interests of the organisation (Davis et al. 1997). Stewardship theory has its roots in psychology and sociology rather than economics; it focuses on intrinsic rewards in contrast to agency theory, which relies on extrinsic rewards such as economic gain. The focus of the theory, according to Donaldson and Davis (1991), is on the higher order needs of the individual as defined by Maslow’s (1970) hierarchy, Alderfer’s (1972) growth needs, and McClelland and Burnham’s (1976) achievement and affiliation needs .

The premise underlying stewardship theory is autonomy. Unlike the agency system, where control through governance and economic incentives are paramount, under a stewardship system control might even be considered counter-productive, because it undermines the pro-organisational behaviour of the steward (Davis et al. 1997). Donaldson and Davis (1991) argued that CEO’s who are stewards are best facilitated through governance structures that provide them with a high level of autonomy and managerial discretion. This might be fulfilled through a CEO also taking the role of Chairman on the board of directors. Such a situation would be considered highly inappropriate under the agency model.

Due to the shifting interests within the relationship between the organisation and its leaders, over time it is possible that “today’s agent may well be tomorrow’s steward” (Albanese et al. 1997; Davis et al. 1997). For example, Kakabadse et al.

(2000) found that age and tenure were related to leaders taking a long-term organisational perspective. Furthermore, according to Lerner and Fryxell (1994: 79) leaders who have extended tenure and are “older” are likely to be more socially responsive when compared with younger individuals. The stewardship model rather than that of agency might explain these findings more efficiently.

The role of Non Executive Directors, either as stewards themselves or operating within a board where the CEO might be classed as a steward, is interesting. The dilemma for many Non Executive Directors as boundary spanners lies in trying to act both for the organisation and also broader constituents whose requirements may not always align (Tushman and Scanlan, 1981: 301). This role conflict might, it is argued, be less apparent on boards that take a stewardship approach to the governance of the organisation, thus giving board members the opportunity to strategise beyond short-term profitability.

#### **2.4.4 Summary**

The first part of this literature review has highlighted the importance of managing divergent constituents. Research suggests that organisations with a reputation for good corporate governance and who are considerate of the needs of wider constituents are also likely to be more profitable. The critical role of the board of directors in managing these processes has been discussed. Research suggests that the Non Executive Director may have an impact on an organisation’s corporate responsibility practices, but their actual role in this process lacks empirical underpinning. Part two will examine in more detail the board of directors.

## 2.5 Boardroom Research

### 2.5.1 The Board of Directors

*'Powerful boards imprint their firms with their unique world-view that sets the tone for definition of expectations of executives and employees – in essence they function as the brain and soul of the organisation'*

(Pearce and Zahra, 1991: 136)

To date there have been few studies which have been able to enter the inner sanctum of the corporate boardroom and actually talk to the individuals who reside there. Previous studies have tended to be positivistic, examining demographics, publicly available data and questionnaires with poor response rates or alternatively have relied on loosely gathered data which has resulted from consultancy experiences or opportunistic data which has been assembled through other research or researchers. As a result of previous research approaches, little is known about the actual operations of the Non Executive Director within the corporate board and less still about the ability to influence corporate responsibility practices. The researcher has not located a single study that has examined from their own personal perspective the role and contribution of the Non Executive Director to corporate responsibility within the Board. The following section examines the role of the Board of Directors and explores the findings of previous research in the area.

Fama and Jensen (1983) describe the board as the “apex of the firm’s decision control system”. Forbes and Milliken (1999) characterise boards of directors as “large, elite and episodic decision making groups that face complex tasks pertaining



to strategic-issue processing”. Furthermore, Forbes and Milliken (1999) highlight an important difference between top management teams and boards “in that boards are responsible only for monitoring and influencing strategy – not implementing strategic decisions or for day to day administration”. They provide the formal link between the shareholders of the firm and its managers (Fama and Jenson, 1983).

Table 2.1 shows the critical functions of the board. Reports such as Cadbury (1992), Hampel (1998) and Higgs (2003) as well as the new Sarbanes-Oxley Act in the USA have fuelled the debate on the governance role and responsibilities of boards of directors.

**Table 2.1. The Critical Functions of the Board**

Define the company’s purpose
Agree the strategies and plans for achieving that purpose
Establish the company’s policies
Appoint the CEO and review his performance and that of top executives
In all of this to be the driving force of the company

**Source: Compiled from Cadbury (1992), Hampel (1998)**

The Cadbury Report in the UK urges that the responsibility of the board should include “setting the company’s strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on

their stewardship”. It adds, “The board’s actions are subject to laws, regulations and the shareholders at general meetings” (Cadbury, 1992: 2.5).

It should be noted that boards of directors differ from other organisational work groups in terms of size; most of the work groups that have been examined previously average five or six members (Forbes and Milliken, 1999). Whereas Boards of Directors average thirteen members (Monks and Minnow, 1985) and unlike most work groups they only operate episodically, full board meetings may only be held seven times a year (Monks and Minnow, 1985). Further, most work group members are full-time members of the organisation whereas boards are made up primarily of part-time Non Executive Directors making their relationship to the organisation one of “partial inclusion” (Weick, 1979).

### **2.5.1a Researching the Board of Directors**

Despite investors’ intuitive belief that it does exist, the link between corporate responsibility and firm performance has not been proven, which suggests a possible failure in previous research methodologies in this area. A great deal has been written about the demographics of individual board members. However, according to Pettigrew (1992: 170) the difficulty in separating the many “endogenous and exogenous factors” that influence corporate performance makes it almost impossible to determine how demographic factors affect boardroom performance. Much of the research into the correlation between boardroom performance and company performance has failed to take account of organisational context. This has led to

conflicting and confusing research results (Forbes and Milliken, 1999; Dalton and Daily, 1999; Korac Kakabadse et al. 2001). Pettigrew (1992: 173) believes that “great inferential leaps” are made between input variables and output variables, such as from board composition to board performance, without assessing the context in which these variables are situated. He calls for more work which embraces the heterogeneous nature of boardroom members.

Many authors have argued that taking account of context is of primary importance when researching the behaviour of corporate boards (Pettigrew, 1992: 163; Forbes and Milliken, 1999; Korac Kakabadse et al. 2001), however the seeming inability of researchers to gain access to real boards of directors has curtailed their ability to adequately understand the affect of these variances.

The context within which Non Executive Directors operate is likely to vary substantially, each with their own specific ‘peculiarities’ (Kakabadse et al, 2001). It is doubtful whether a single, theoretical model will adequately explain the behaviour of all individuals or organisations (Letza et al. 2004). Furthermore, the complexity of organisational systems, and the plethora of variables that can react with them, suggest it is unlikely that an organisation could or should be viewed in isolation or that the behaviour of individuals could be successfully understood simply through their demographics (Forbes and Milliken, 1999). Therefore a multi-dimensional perspective may be necessary to account for the behaviour of some boardroom members and some boards as a group.



### **2.5.1b Powerful Effective Boards**

The research of Pearce and Zahra (1991) found that powerful independent boards were associated with superior financial performance. Their findings showed that CEO's described such boards as being 'more progressive and more encouraging and supportive of CEO efforts'. Power reflects the capacity of directors or CEO's to bring about the outcomes they desire through formal and informal means (Salancik and Pfeffer, 1977). However, Mace (1986) argues that boards often fail to realise their potential contribution due, in part, to their failure to even "do the homework" needed for understanding the organisation's problems. Lorsch and MacIver (1989) found that directors who give enough time to their duties and seek out the information they need are better able to prevent and manage crisis and govern more effectively in times of instability.

Eisenhardt et al. (1997) found that teams who always sought consensus tended to display high levels of interpersonal conflict whereas teams who encouraged divergent opinions and conflicting viewpoints created a greater number of strategic options and make more effective decisions. Within top teams performance was likely to be enhanced if power within the group was balanced between the leader and other team members, Eisenhardt et al. (1997) describe such an environment as a balanced power structure. Balanced power structures require a clear leader, but also that other group members are able to substantially influence decision-making. A similar structure was also found to be optimum by Pearce and Zahra (1991) who describe such boards as participative, with both powerful Non Executives and also a powerful CEO.

Powerful boards are, according to Pearce and Zahra (1991), the “brain and soul of the organisation, as well as the guardians of shareholder interests”. Dimma (1996: 217) describes them as “a heretofore under-utilized but absolutely essential link in the search for improved corporate performance”. Pearce and Zahra (1991: 136) argue that “powerful boards” are considered necessary for “organisational effectiveness” because they strengthen the links between the organisation and its environment by providing useful business contacts (Pettigrew, 1992; Meyer, 2000). They actively contribute to the development of organisational mission, evaluate CEO performance and advise on strategic options (Pearce and Zahra, 1991; McNulty and Pettigrew, 1999). They provide appropriate checks and balances in corporate governance and play a vital role in formulating corporate identity, through the establishment and monitoring of codes of ethics (Purcell, 1978; Andrews, 1984; Nader, 1984; Pearce and Zahra, 1991; Pettigrew, 1992).

### **2.5.1c Corporate Responsibility in the Boardroom**

The board is faced with a difficult task in trying to balance the needs of shareholders, who may have a short-term bias, with the longer-term necessity to be socially responsive. This problem is particularly apparent in the prevailing shareholder system where stocks are held not by individuals for the long-term, but by huge investment groups. A man sitting at a screen may hold stock A on Monday morning, sell it on Monday afternoon and buy it back on Wednesday (Witherell, 2000), leaving managers torn between the requirements of block shareholders for a



regular and sustained short-term profit Lowengard, 1997) and the long-term survival of the organisation (Meyer, 2000). As Frederick (1978) put it in his classic paper on CSR: “when it becomes necessary to weigh social costs and benefits against economic costs and benefits, the entire question of trade offs becomes very murky indeed” (Frederick, 1978: 153).

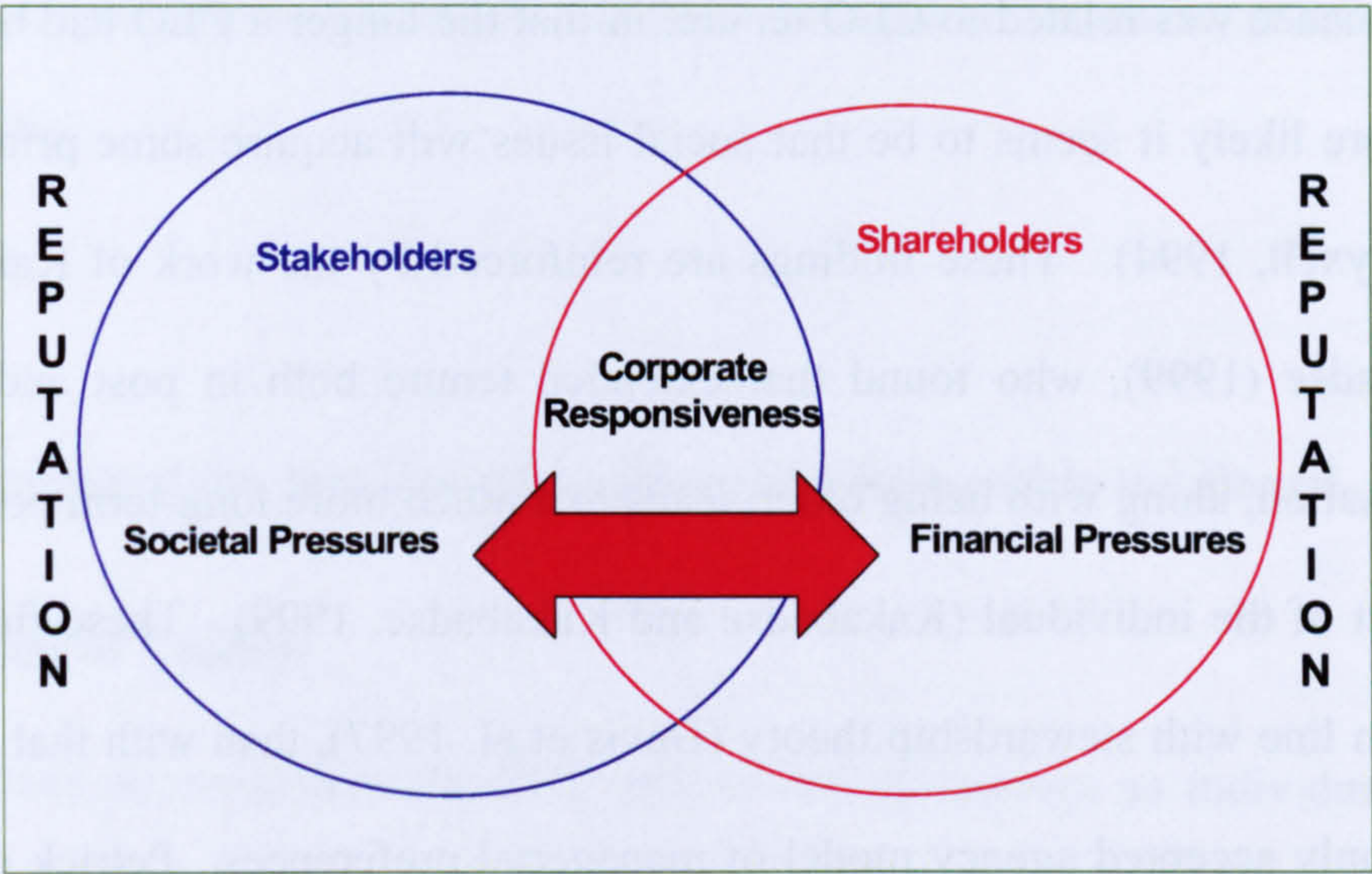
The dilemma of balancing the needs of block shareholders is further confused by the work of Johnson and Greening (1999), whose research suggests that block shareholders can be split into two groups. Firstly there are investment fund managers, who rely on quarterly performance bonuses for their income and are therefore likely to be concerned with short-term profitability. Secondly there are pension fund managers, who are paid a salary and are often employed by groups such as unions; these have a longer-term perspective, and are likely to show concern for issues such as women employees, minorities and the threat of future environmental hazard. Investment managers were found to involve themselves with governance issues such as board composition, whereas pension fund managers involve themselves actively with much broader social questions. The impact of this split on the strategies adopted by the board does not appear to be known.

Social responsiveness represents the ability of the board to balance the heterogeneous requirements of various constituent groups towards the long-term survival of the organisation. The difficulties in fulfilling this commitment are illustrated in Figure 2.2, which shows the pressures faced by directors trying to



balance the financial necessity of maintaining a good reputation with shareholders against the needs of broader constituents.

**Figure 2.2: The conflicting pressures Faced by the Board in Enhancing Corporate Reputation**



**Source: Compiled by the Author**

Figure 2.2 suggests that shareholders use signals of financial success in their purchasing decisions. However as stakeholders, shareholders might also be expected to pay attention of other non-financial signals such as the behaviour of the organisation as a good corporate citizen.

Lerner and Fryxell (1994), during their empirical examination of the attitudes of CEO's towards stakeholders, discovered a separation of shareholder issues from those of other constituents in the minds of CEO's. They also found that CEO's with a shareholder orientation had a negative impact on philanthropic giving. Moreover,



their research demonstrated that those CEO's who took a broad constituency view of their organisations were also likely to enjoy superior financial performance.

Interestingly, Lerner and Fryxell's (1994) research also showed that corporate social performance was related to CEO tenure, in that the longer a CEO had been in place the more likely it seems to be that social issues will acquire some priority (Lerner and Fryxell, 1994). These findings are reinforced by the work of Kakabadse and Kakabadse (1999), who found that extended tenure both in post and within the organisation, along with being older, leads to a much more long-term perspective on the part of the individual (Kakabadse and Kakabadse, 1999). These findings seem more in line with stewardship theory (Davis et al. 1997), than with that of the more commonly accepted agency model of managerial preferences. Petrick et al. (1999) maintain that the best leaders are able to understand complex issues from multiple strategic positions and act out a complex strategy by playing several roles in a very integrated and complementary way. They term this "behavioural complexity". Looking beyond a board's requirement to protect the shareholder is a complex task (Weidenbaum, 1986) and sometimes a *right* answer may not even exist.

Oliver (2000) argues that the executive sometimes finds it difficult to understand the wider context and tends to concentrate on short-term goals such as cost cutting. This maybe at the expense of wider or more long-term issues (Sonnenfeld, 1981). In contrast to their executive counterparts Non Executive Directors are in the singular position of championing various internal and external interests (Johnson and Greening, 1999). Furthermore, it is argued that Non Executives improve the overall

performance of the board at two levels: firstly, they stimulate a desire on the part of executives to “keep their house in order” (Forbes and Milliken, 1999) and secondly, they are likely to see the board’s responsibility for governance as distinct from, but complementary to, management. In contrast, management may see their role in governance as merely an extension of their managerial function (Forbes and Milliken, 1999).

## **2.5.2 Moderators of the Non Executive Director’s Role within the Board**

### **2.5.2a A Team of Leaders**

Alderfer (1986) observed that directors tend to see themselves as individuals and therefore find it difficult to perceive themselves as a group. For this reason they often feel powerless to act when they are unhappy with a situation, because they feel that they alone will not be able to change it. Alderfer (1986) argues that truly effective directors see themselves as part of a larger group and are therefore less daunted by the need to make changes. This may be of key importance as it is argued by Forbes and Milliken (1999) that board cohesiveness is a fundamental criterion by which to assess the effectiveness of boards as decision-making groups. The paradox is that, although by their very nature boards are made up of individual leaders, their ability to work together is likely to determine their success.

Lorsch and MacIver (1989), in their seminal work *Pawns or Potentates*, also highlight the importance of group cohesion. From their three-year study of



boardroom practices with over 100 director participants, they found that there was typically little consensus during board meetings about accountabilities to various constituencies. This surprised them, as the research also pointed to the fact that directors within the study almost universally saw shareholders as their top priority. As a result they identified three distinct groups, as illustrated in Table 2.3.

**Table 2.2: Typology of Director Group Behaviour Preferences**

Traditionalists	Adhere to strict belief in the primacy of the shareholder and decline to recognise the conflicts that exist between their traditional perspective and that of other constituents.
Rationalisers	See the conflicts and feel the tensions inherent in their responsibilities in an increasingly complex world, however they rationalise them away. What is good for the shareholder will be good for the corporation and other constituents.
Broad Constructionists	Openly recognise that their responsibilities encompass more than shareholders. If this attitude creates conflicts they recognise and deal with them, without assuming that every decision must be in the shareholders' interest.

**Source: Compiled from Lorsch and MacIver (1989: 39)**

Lorsch and MacIver (1989: 49) use the analogy of the ostrich to illustrate the behaviour of the three groups. The Broad Constructionists “would be actively confronting the dangers of life on the sandy plains, while the Rationalizers might gaze enviously at the buried heads of the Traditionalists”. Their research highlighted the problems directors face in feeling unable to discuss their convictions, most specifically with regard to the imbalance between the apparent primacy of shareholders and the pressing need for a much more long-term managerial approach

than might be considered desirable by the kind of shareholders who are perceived to come in only for a short-term profit.

### **2.5.2b Groupthink**

Some researchers have suggested that boards of directors may be susceptible to a phenomenon known as groupthink (Demp and Neubauer, 1992; Cohan, 2002). Groupthink occurs when a group of individuals ignore evidence that is contrary to a course of action or idea to which the group has already committed itself (Janis, 1971; Janis, 1972). The account of Arthur Taylor, president of CBS and a Non Executive Director to Eastern Airlines provides a good example. Taylor spent hours trying to persuade his fellow board members to seek professional advice before agreeing to the Chairman's plan to sell off the business but was outvoted, as Taylor put it "most of the board were admirers of (the Chairman)" (Baum and Byrne, 1986).

When groupthink occurs within a board of directors, board members will typically seek consensus and may avoid alternative strategy seeking in order to minimise opportunities for dissent from within the group. As in the Eastern Airline case, strong-willed executives are able to gain support for poor decisions (Sims, 1992). Board members may choose to ignore contrary evidence in order to reduce stress levels within the group (Janis, 1972). Ambiguous information may be categorised by individuals within the group as unmanageable and is likely to be dismissed (Cohan, 2002). Board members may risk exclusion or social distancing from the

group if they introduce dissonant or unacceptable information into the group setting (Schwenk, 1989; Cohan, 2002; Westphal and Khann, 2003). Social distancing may manifest itself by, for example, the exclusion of the individual from important meetings or the use of language that the individual does not understand or is not privy to (Westphal and Khann, 2003).

Although originally group cohesiveness was believed to be the main predictor of groupthink, research over the past 30 years has shown that rather than just esprit de corps, loyalty to a leader, promotional leadership, the desire to belong to the group, arrogance, overconfidence and a bottom line mentality may all be indicators of groupthink (Baum and Byrne, 1986; McCauley, 1989; Sims, 1992; Esser, 1998). Esser and Lindoerfer (1989) argue that groupthink should be considered a 'syndrome' which is identifiable by its symptoms. They believe that it is not necessary for all symptoms to be present to justify a diagnosis of groupthink, rather that groupthink symptoms are contextually relevant.

Overcoming groupthink is an issue that has created some debate since Janis first examined the phenomenon in 1972. The general consensus is that in order to overcome the negative effects of groupthink, conflict should be introduced into the board in the form of alternative strategies and opinions. Individuals should be encouraged to play devil's advocate in order to improve the efficiency of decision-making (Schwenk, 1989; Sims, 1992). The culture of some boardrooms in both the UK and USA appears to be one where a single individual or a small group of individuals within the board, control the behaviour and decision making of the larger



team. In the last few years many accounts in the media have emerged of individuals, particularly those in the role of CEO or Chairman, who rule 'their' boards with an iron will and with little regard for the input of fellow board members who often appear to have been hand picked for their ability to sit quietly in the boardroom. High profile examples include the Disney Corporation, Hanson and the now beleaguered giants Enron and Worldcom.

### **2.5.3 Summary**

The second part of this literature review has highlighted the role of the board of directors. They are described as the "apex of the firm's decision control system" (Fama and Jensen, 1983). Despite the board's importance to the health of the organisation previous research into the board of directors has tended to be highly positivistic. Empirical research has often failed to take into account the context within which the board actually performs its duties. This section will now focus specifically on the role of the Non Executive Director.

## **2.6 The Non Executive Director**

*“The board of directors can be the difference between a raging success story and an utter failure”*

(Oliver, 2000: 7)

The average Non Executive board member in the UK is over sixty years of age and has neither international nor public sector experience. He will almost certainly hold positions on other boards and may well have attended public school. The proportion of women on the board remains small; in a survey of 1800 firms only 17% had actively sought to appoint a women non-executive director (Pierce, 2001) and the actual number of women on UK boards is around 6% (Higgs, 2003). The demographics of American board members appears to be very similar to their British counterparts, the number of American female directors is slightly higher at 10% of the total (Burgess and Tharenou, 2002).

### **2.6.1 The Role of the Non Executive Director**

Non Executive Directors frequently form the majority on corporate boards and could be described as “the formal link between the shareholders of a firm and the managers entrusted with the day-to-day functioning of the organisations” (Forbes and Milliken, 1999). Most Non Executive Directors perform other roles outside the host organisation, the majority holding, or have previously held the position of CEO elsewhere. Others may come from military or civil service, political or academic backgrounds.

Non Executive Directors are in a unique position, privy to the inner workings of the organisation and yet, in theory, independent of it. Although they share equal responsibility for the behaviour of the organisation with other board members, they are distinct from other directors because they have no involvement in the day-to-day operations of the organisation but are instead concerned with ensuring good governance, strategic direction and organisational well-being. There has been some debate about the effectiveness of the current role of the Non Executive Director. The President of the Institute of Directors in the UK, Lord Young, has recently advocated the abolishment of the Non Executive Director role, arguing that relying on part-time individuals to keep a check on management when they only have limited access to inside information is 'naïve' (Pass, 2004).

#### **2.6.1a Non Executive Directors' Role in Corporate Governance**

Reports such as Cadbury (1992) have highlighted the important role that Non Executive Directors *should* play in steering organisations towards improved governance practices, discouraging excessive "fat cat" pay deals and protecting the rights of shareholders. Two important roles are prescribed for Non Executive Directors in terms of corporate governance: the first is to review the performance of both the board and the executive (Cadbury, 1992: 4.5) and the second is to take the lead where potential conflicts of interest occur (Cadbury, 1992: 4.6). The emphasis in the Cadbury Report was on the "control function" of Non Executive Directors, as they highlight themselves – this was a result of their remit. However, the Report raises the point that this should not "detract from the primary and positive



contribution which they (Non Executive Directors) are expected to make, as equal board members, to the leadership of the company” (Cadbury, 1992: 4.10). Hampel (1998) highlights the problem faced by the Cadbury Report in over-emphasising monitoring and control, and stresses that Non Executive Directors should have both a strategic and a monitoring function. The Higgs (2003) Report adds to these principals by suggesting that Non Executive Directors should meet separately from the main board on a regular and planned basis. Higgs (2003) also suggests that the Non Executive Director’s qualifications, compensation, access to management and continuing education should be disclosed.

It is suggested that when used properly these highly experienced individuals should, as a minimum, provide a valuable resource as sounding-boards to the organisational executive (Dunlop, 1999; McNulty and Pettigrew, 1999; Kakabadse et al. 2001). Their knowledge of the complex business environment (Johnson and Greening, 1999) and their position outside the organisation provides them with a unique vision of the system that surrounds and maintains organisational well-being. Frederick argued in 1978 and even more strongly in 1998 that social responsiveness requires a systems approach along with environmental scanning to detect emergent problems (Frederick, 1998).

#### **2.6.1b Research into the Role of the Non Executive Director**

Despite their seemingly pivotal role in the governance and leadership of organisations (Alderfer, 1986; Westphal, 1998; Meyer, 2000; Kakabadse et al.

2001), Non Executive Directors have not received a great deal of attention from the academic community (Pettigrew, 1992; Forbes and Milliken, 1999: 489; McNulty and Pettigrew, 1999; Oliver, 2000). Most writing in this area has been either practitioner-based or of a more prescribed nature (Pettigrew, 1992), with most analysis being performed based on publicly available statistical data (McNulty and Pettigrew, 1999). Such limited reporting may be due to the difficulties faced by researchers in gaining access to these often high-profile, busy individuals and partly also, because “those who sit amongst the mighty do not invite sociologists to watch them make the decisions about how to control the behaviour of others” (Kahl 1957, p. 10). Thus little documentation exists regarding Non Executive Directors’ contribution to corporate strategy or their influence on corporate behaviour (Forbes and Milliken, 1999; McNulty and Pettigrew, 1999).

However, certain studies penetrated the inner sanctum of the boardroom. McNulty and Pettigrew (1999) have found that Non Executive Directors are able to play an influencing role in the setting of strategy. Their findings contradict the common belief that Non Executive Directors act merely as a rubber stamp to the desires of the Executive. Their research showed that although most proposals are ratified by the board once they reached the committee stage, the Executive was forced to spend a great deal of time behind the scenes ensuring that their plans would meet with the approval of the board. Thus unacceptable plans rarely ever even reach the official table.

Kakabadse et al. (2001), in their study of the role and contribution of Non Executive Directors, found that Non Executive Directors influence strategic behaviour. They note that Non Executive Directors have become much more professional, with many boards now using specialist recruitment agencies to find prospective Non Executive Director candidates with specific knowledge and skills. Additionally, this study highlights the heterogeneous nature of boards which forces newly appointed Non Executive Directors to quickly adapt to the culture and customs of the board in order to make a recognisable or meaningful contribution.

#### **2.6.1c Corporate Responsibility and the Non Executive Director**

Ibrahim et al. (2003) found that the presence of Non Executive Directors in the boardroom was likely to lead to a company engaging in socially responsible activities. This may be because they have wider organisational goals than their executive counterparts (Johnson and Greening 1999). Therefore, although Non Executive Directors are governed by the same legal responsibilities as other board members, we would argue that their perceptions of that responsibility are probably different from those of executive members. To date however, there has been little qualitative work which explores the role of the Non Executive Director and how that role might affect corporate behaviour (Forbes and Milliken, 1999; McNulty and Pettigrew, 1999; Oliver, 2000; Ibrahim et al. 2003), perhaps because of the difficulties researchers face in gaining access to these often high profile and always busy individuals (McNulty and Pettigrew, 1999).



## **2.6.1d Research into the Non Executive Influence over Corporate Responsibility**

Thompsen (2004) proposes that organisational values will be influenced by the identity of its board members. Johnson and Greening (1999) believe that Non Executive Directors may be employed primarily to deal with outside constituencies. This, in their opinion, represents a strategy for dealing with an organisation's relationship with its environment. Furthermore, Non Executive Directors may enhance the reputation of an organisation, developing credibility and organisational legitimacy, whilst protecting their own (Dutton and Jackson, 1987; Fombrun and Shanley, 1990). Non Executive Directors are likely to be sensitive to negative media attention and the loss of reputation that might ensue (Greening and Gray, 1994; Johnson and Greening, 1999).

Empirical research findings in this area are very limited, O'Neil et al. (1989) found that outside directors were more orientated towards ethical concerns than were their CEO counterparts. Ibrahim and Angelidis (1995) also found that Non Executive Directors were less economically orientated and more sensitive to philanthropic endeavours than inside directors.

Webb (2004), found that when she compared companies that were listed as being socially responsible in an ethically screened stock portfolio, with a matched sample of 'non-SR' firms, those organisations that were defined as being socially responsible had a significantly higher percentage of outsiders on their boards. This finding suggests that Non Executive Directors may have some influence over their

organisations' strategic choices in terms of corporate social responsibility behaviours.

Ibrahim et al. (2003) examined Non Executive Directors in the service industry and concluded that by having more Non Executive Directors on the board of directors, a firm is more likely to engage in socially responsible activities. However, conversely Coffey and Wang (1998) found that increasing the number of Non Executive Directors on the board had little effect on the philanthropic behaviour of the organisation concerned. It should be noted that all of the studies mentioned in this section employed a positivistic approach using publicly available data or postal questionnaires with relatively low response rates (O'Neill et al. 1989; Ibrahim and Angelidis, 1995; Coffey and Wang, 1998; Ibrahim et al. 2003), to gather data that was then statistically analysed.

### **2.6.2 Boundary Spanners**

Wood (1994: 196) describes boundary spanners as the “Janus Head” of the organisation with faces looking both ways. The importance of boundary spanners is noted by a number of authors (Aldrich and Herker, 1977; Tushman and Scanlan, 1981; Wood, 1994; Pava and Krausz, 1997). These are individuals who can straddle the boundary between the organisation and its environment, gathering then feeding back information about emerging issues and also representing the organisation to its environment (Manev and Stevenson, 2001). According to Pava and Krausz (1997), only through an active stance on the part of boundary spanners can the organisation

hope to fulfil its social responsibility mandate. Such individuals provide a “key channel for the organisation to influence its socio-political environment” (Manev and Stevenson, 2001: 185).

### **2.6.2a The Non Executive Directors’ Boundary Spanning Role**

The resource dependency literature views Non Executive Directors as boundary spanners (Wang and Dewhirst, 1992; Geletkanycz and Hambrick, 1997; Daily and Cannella, 2003; Hillman and Dalziel, 2003) bridging the divide between the organisation and its environment and feeding back relevant information to management (Wang and Dewhirst, 1992). Resource dependence theory argues that organisations are comprised of external and internal coalitions, which exist in an environment that contains scarce and valuable resource essential to organisational survival (Selznick, 1949; Johnson et al. 1996; Dalton et al. 1999; Hillman et al. 2000). As early as 1949, Selznick suggested that organisations could gain external resources through co-optation. One way to achieve co-optation is through the use of Non Executive Directors. However, much of the work in the last decade has informed the director interlock literature (Geletkanycz and Hambrick, 1997; Manev and Stevenson, 2001), and has therefore concentrated on the frequently negative consequences of directors sitting on each others’ boards, so-called “cronyism”.

Boundary spanners are believed to be critical in fulfilling an organisation’s CSR mandate (Wood, 1994; Pava and Krausz, 1997). The value of individuals capable of understanding the complex organisational environment, anticipating unexpected



events, challenges and opportunities and having the governance procedures in place for their voices to be heard should not be underestimated (Petrick et al., 1999). The presence of such individuals at board level is also viewed as providing competitive advantage for organisations (Petrick et al., 1999; Geletkanycz et al., 2001). However, the specific role of Non Executive Directors in terms of how they might influence corporate responsibility as boundary spanners remains somewhat of a mystery.

Johnson and Greening's research (1999: 568) found that Non Executive Directors have both profit goals (in line with agency theory) and wider non-profit goals. They have a strong "stakeholder orientation", recognising that the organisation has responsibilities to groups other than shareholders (Wang and Dewhurst, 1992; Johnson and Greening, 1999). Johnson and Greening (1999) believe that Non Executive Directors may be employed primarily to deal with outside constituencies; in their opinion, this represents a strategy for dealing with an organisation's relationship with its environment.

#### **2.6.2b Non Executives' Role in Balancing Divergent Constituents**

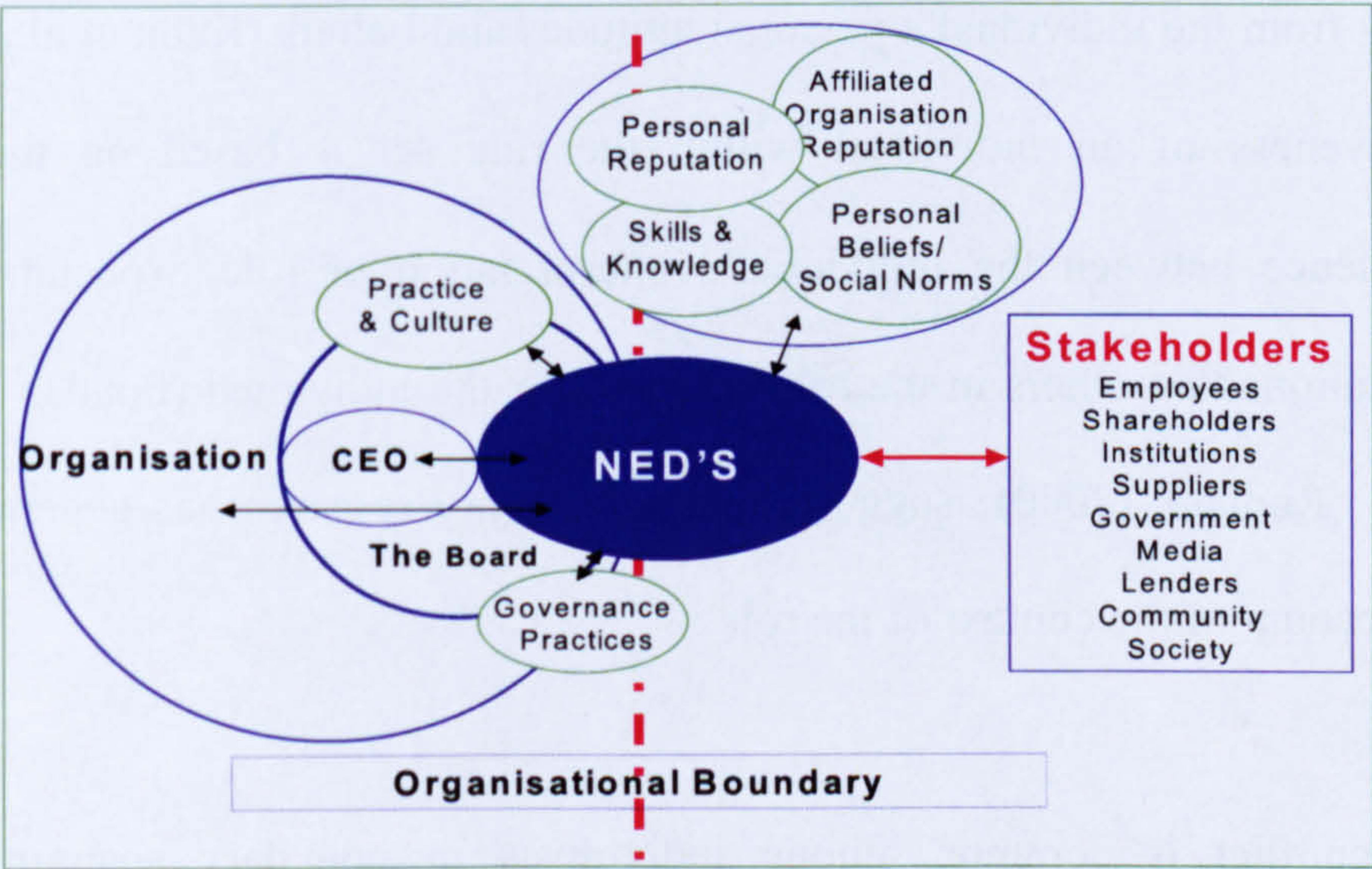
According to Tushman and Scanlan (1981) it is important to differentiate clearly between those who sit on the boundary of the organisation and boundary spanners. It is their belief that to be a true boundary spanner an individual must both communicate out to the environment and also back to the organisation in equal measure. For example, they argue that salespeople, who are generally considered to



be boundary spanners, may communicate to the environment but often fail to communicate back into the organisation.

Figure 2.3 presents a model of the complex factors, which may influence the Non Executive Directors' Role. The model clearly shows that Non Executive Directors sit on the boundary between the organisation and its environment, their ability to act as boundary spanners from this position could be moderated by many factors.

**Figure 2.3: Influences on the Non Executive Directors' Role**



**Source: Compiled by the author**

The ability of Non Executive Directors to balance the requirements of these various constituents is likely to be affected by the explicit nature or otherwise of expectations within the board. If Non Executive Directors are faced with ambiguous signals as to their role it is possible that role conflict will develop.



### **2.6.3 Moderators of the Non Executive Directors' Role**

#### **2.6.3a Role Conflict**

Empirical research suggests that individuals who are in boundary spanning positions are likely to experience role conflict (Friedman and Podolny, 1992). A role is the set of behaviours that others expect of individuals in a certain context (Floyd and Lane, 2000). Role expectations are beliefs and attitudes about what a manager should and should not do as part of his role (Kahn et al., 1964). Expectations may be directed at the individual from others in their role set or they may be 'self sender' expectations arising from the individual's personal attitudes and beliefs (Kahn et al., 1964). The effectiveness of an individual within the role set is based on the degree of congruence between the individual's interpretation of role expectations and the expectations that others in the role set have for the individual (Fondas and Stewart, 1994). Rodham (2000) suggests that role theory research has generally failed to take account of the context of the role.

Role conflict is common among individuals in boundary spanning positions, particularly when such individuals deal with secondary role sets (Friedman and Podolny, 1992; Floyd and Lane, 2000). These are functions that are not part of the day-to-day functioning of the position. By its very nature it is argued that much of the Non Executive Directors' work is probably non-routine; rather it is of a strategic nature, involving the "acquisition and exchange" of information regarding a changing environment and organisational response to it (Floyd and Lane, 2000: 158). Although it should be noted that some previous studies have suggested that



upper echelons may not suffer from role conflict problems to the same extent that lower echelons do ( House and Rizzo, 1972; Hamner and Tosi, 1974).

Role conflict may lead to distress for the individual, avoidance tactics, lying, organisational exit and the withholding of information (Floyd and Lane, 2000). However, it may be possible to avoid conflict by ensuring that expectations are clearly articulated; individuals are then more likely to conform (Floyd and Lane, 2000). Interaction within clearly defined roles also becomes more predictable, leading to greater openness, trust, information sharing and learning (Floyd and Lane, 2000).

#### **2.6.3b Implications for the Non Executive Directors' Boundary Spanning Role**

Boundary spanners provide communication between constituents and the organisation, representing the perceptions, ideas and expectations of each side (Aldrich and Herker, 1977; Friedman and Podolny, 1992). Because role conflict can arise from disparate beliefs or priorities on the part of managers (Aldrich and Herker, 1977; Tushman and Scanlan, 1981; Friedman and Podolny, 1992; Floyd and Lane, 2000) it is likely to affect the behaviour of individuals in boundary spanning positions. Thus Non Executive Directors are likely to experience divided loyalties, as between the organisation and outside groups, which they are expected or feel obliged to represent. Weidenbaum (1986) argues that the wider stakeholder perspective, which is now being put forward by some management experts, has led many directors to become confused as to where their responsibilities lay.

Weidenbaum believes this causes problems, for example when a company is threatened with a takeover, when employees want more wages or customers want lower prices (Weidenbaum, 1986).

Such conflict creates stress for the individual, makes interactions less predictable and impedes the development of trust within the group (Kahn et al., 1964; Floyd and Lane, 2000). Creating organisational structures which allow the board to interact within clearly defined roles should encourage greater levels of trust and more predictable behaviour, thereby avoiding the problems created by role conflict such as avoidance, lying and organisational exit (Aldrich and Herker, 1977; Tushman and Scanlan, 1981; Floyd and Lane, 2000).

### **2.6.3c Information Asymmetry**

Although much of the current literature on the role of the Board of Directors has suggested that Non Executive Directors provide the key to good corporate governance, some theorists still have concerns about the Non Executive Director's role and its value to the organisation and its shareholders. For example, it is commonly argued that Non Executive Directors have imperfect access to key information about the firm. Insiders control what information is made available to the Board of Directors and also have the option to decide when to release information to the Board (Fama and Jenson, 1983; Baysinger and Hoskinsons, 1990; Pettigrew and McNulty, 1995; Schaffer, 2002; Pass, 2004).



### **2.6.3d Commitment**

Non Executive Directors have only a limited amount of time to carry out their duties. They are almost always very busy people, often holding multiple board positions, as well as a full-time CEO post elsewhere. Some studies have found that not having enough time to suitably complete their duties was one of the Non Executive Director's biggest complaints (Mace, 1986; Lorsch and MacIver, 1989). The amount of time spent by board members preparing for meetings is widely considered to be of great importance in determining the board's ability to represent shareholder interests, contribute to strategy, understand company problems, prevent and manage crisis and effectively manage the organisation in times of difficulty (Mace, 1986; Lorsch and MacIver, 1989; Forbes and Milliken, 1999).

Studies suggest that many boards do not spend the necessary preparation time to properly fulfil their potential (Mace, 1986). However, boards which set recognisable standards and "norms" of excellence for their members and encourage diligence and participation, conducive to high effort among members, are more likely to perform their control monitoring and service tasks successfully (Lorsch and MacIver, 1989; Forbes and Milliken, 1999).

Some researchers have argued that Non Executive Directors may not have the emotional commitment to an organisation necessary for them to care enough about doing a good job (Schaffer, 2002). However, this argument is counter-balanced by those who argue that a Non Executive Director is motivated to provide good stewardship by the desire to maintain personal reputation and therefore maintain and

enhance future individual earning potential (Wilson, 1985; Weigelt and Camerer, 1988; Johnson and Greening, 1999).

### **2.6.3e Non Executive Director Personal Reputation**

In terms of agency theory, Non Executive Directors are in a very interesting position. On the one hand they are well placed to monitor the self-serving behaviour of the executive and protect the rights of the shareholders – or possibly constituents (Johnson and Greening, 1999). On the other, they are also self-serving individuals in their own right, and we have no reason to assume that they are any less likely than the appointed agents to maximise their own benefit. However, one important factor may be the desire of the individual Non Executive Director to protect and enhance his own personal reputation (Johnson and Greening, 1999); misconduct by the organisation is likely to reflect badly on the individual's perceived ability as a top executive and therefore future earning power and status.

Furthermore, reputation acts as a subtle behaviour control mechanism at two levels: at the individual level, Wilson (1985: 27) maintains that “the essential requirements for a player's reputation to matter for his current choice of action are his anticipation that his later decisions will be conditioned by his later reputation”. This point is also made by Weigelt and Camerer (1988). They suggest that board members bring their reputations to an organisation and that protecting this reputation leads them to act in the shareholder interest. At the organisational level, Fombrun and Shanley (1990) believe that the desire of managers to protect reputation once it is established is



likely to act as a strong control over their future behaviour. In this context, Caves and Porter (1977) describe it as a “strong source of intraindustry structure”. Dutton and Jackson (1987) argue that the publication of reputation rankings such as those offered by Fortune magazine may lead managers to perceive external threats and opportunities differently and moreover alter their perception of their own firm’s strengths and weaknesses.

### **2.6.3f Remuneration**

The literature suggests that, as with executive board members, one factor that can improve the alignment between the individual Non Executive Director and shareholders is high managerial equity holdings (Johnson and Greening, 1999). Linking Non Executive Director remuneration to stock options is regarded by many governance experts to provide an important means of encouraging greater commitment to the organisation, helping in the development of a psychological contract between the individual and the organisation (Lorsch and MacIver, 1989). It is believed to result in less passive board behaviour, it reduces the inclination to bestow excessive executive pay, it minimises the tendency to undertake wasteful diversification and it diminishes concerns about protecting the organisation from takeovers. Finally, it increases the likelihood of the removal of poorly performing CEO’s (Johnson and Greening, 1999; Hambrick and Jackson, 2000).

### **2.6.3g Director Interlocks**

Because many Non Executive Directors sit on multiple boards there is often overlap between boardroom relationships with many individuals working within a complex social network of boards. These are described as interlocking directorates (Geletkanycz and Hambrick, 1997; Haunschild and Beckman, 1998; Manev and Stevenson, 2001; Geletkanycz et al. 2001).

Many theorists have argued that interlocking directorates reduce the overall effectiveness of the Non Executive Director. Individuals may feel indebted to the CEO for appointing them to the board. Additionally that same CEO may sit on the board of the Non Executive Director's own company. These ties may discourage individuals from criticising management for fear of losing social capital. Some researchers have even found that when a Non Executive Director raises unpopular issues he risks social distancing by the rest of the group (Westphal and Khann, 2003).

Research suggest that boards use interlocks to scan the environment for new business practices (Mace, 1986; Lorsch and MacIver, 1989). Some researchers have suggested that interlocks may influence firm behaviour for example Haunschild and Beckman (1998) found that interlocking directorates affected firms' acquisition strategies. The effect of interlocks on the ability of the Non Executive Director to influence corporate responsibility with the firm is not clear.



#### **2.6.4 Summary**

This final part of the literature review has examined the possible role of the Non Executive Director as a boundary spanner, balancing the needs of various constituents. The literature suggests that Non Executive Directors may have wider social goals than their Executive counterparts. The factors that might be expected to influence the Non Executive Director's ability to fulfil his role were then discussed. The review suggests that few empirical studies have actually talked directly to Non Executive Directors in order to ascertain how different factors moderate their ability to make a useful contribution. There follows a summary of this section.

#### **2.7 Literature Review Summary**

The aim of this literature review was to uncover a gap in the current literature regarding the role and contribution of the Non Executive Director within the corporate board. The review reveals that despite a great deal of interest in the board of directors, and specifically the Non Executive Director within the board, there is currently little empirical research that examines the behaviour of these individuals within their own context.

The literature suggests that an important role for the Non Executive Director is that of a boundary spanner. However their ability to fulfil this role has not been adequately researched. Boundary spanners are considered key to the fulfilment of an organisation's corporate responsibility mandate. As a boundary spanner the Non Executive Director would be expected to deal with a variety of divergent

constituents and this may lead to role conflict. The next section will specifically examine the gap in the literature and present the research question.

## **2.8 Conclusions and Identification of Gap**

Scholars and practitioners alike have stressed the importance of the Board of Directors. They have described it as the “apex of the firm’s decision control system” (Fama and Jensen, 1983). The Board provides strategic guidance and leadership and sets the tone of the organisation for a range of constituents (Pearce and Zahra, 1991).

However, within the boardroom one important group has been neglected by academics. The role and contribution of the Non Executive Director remains largely a mystery. Little is known about their contribution to corporate strategy or actual their activities within the organisation (Pettigrew, 1992; Forbes and Milliken, 1999; McNulty and Pettigrew, 1999; Cohan, 2002). Much has been written in the governance literature about how the Non Executive Director should behave, but few have been able to research real behaviour, perhaps because of the difficulties faced by researchers in accessing the phenomenon (Pettigrew, 1992). Many authors have argued that taking account of context is of primary importance when researching the behaviour of corporate boards (Forbes and Milliken, 1999; Pettigrew, 1992; Korac Kakabadse et al. 2001).



Little research currently exists which explores the ability of the Non Executive to contribute to corporate responsibility. In addition, the type of research in this area to date has been highly positivistic in its approach. Coffey and Wang (1998) found that increasing the number of Non Executive Directors had no effect on corporate philanthropy, whilst Ibrahim et al. (2003) and Webb (2004) both found correlation between the number of Non Executive Directors and a firm's social performance.

The resource dependency literature views Non Executive Directors as boundary spanners (Wang and Dewhirst, 1992; Geletkanycz and Hambrick, 1997; Daily and Cannella, 2003; Hillman and Dalziel, 2003). Boundary spanners are believed to be critical in fulfilling an organisation's corporate social responsibility (CSR) mandate (Wood, 1994; Pava and Krausz, 1997). Research suggests that Non Executive Directors have a strong constituency orientation and may be employed specifically to deal with outside constituents (Wang and Dewhirst, 1992; Johnson and Greening, 1999).

As boundary spanners Non Executive Directors have a unique perspective on constituent management. The literature suggests that boundary spanners are susceptible to role conflict (Aldrich and Herker, 1977; Tushman and Scanlan, 1981; Friedman and Podolny, 1992; Floyd and Lane, 2000). However, previous studies have suggested that upper echelons may not suffer from role problems to the same extent that lower echelons do (House and Rizzo, 1972; Hamner and Tosi, 1974;), because they have greater autonomy in their roles.

### **2.8.1 The Research Question**

Most of the previous research examining the role of the Non Executive Director has failed to take account of the context in which they perform their roles. This study will examine the role and contribution of the Non Executive Director from their perspective within the context of the corporate board. As a result of the literature review presented in this chapter the following research question has been framed to address the current gap in empirical research:

**How do Non Executive Directors in their role as boundary spanners on corporate boards, balance divergent expectations whilst contributing to corporate responsibility practices?**

In order to answer the posed question, the study will explore:

- a) How do Non Executive Directors perceive their role within corporate boards?
- b) How do Non Executive Directors' perceptions of their role impact on their ability to contribute effectively?
- c) How do Non Executive Directors' perceptions of their role impact on their ability to contribute specifically to corporate responsibility practices?
- d) How can Non Executive Directors effectively enhance their board performance?



## **2.9 Chapter Summary**

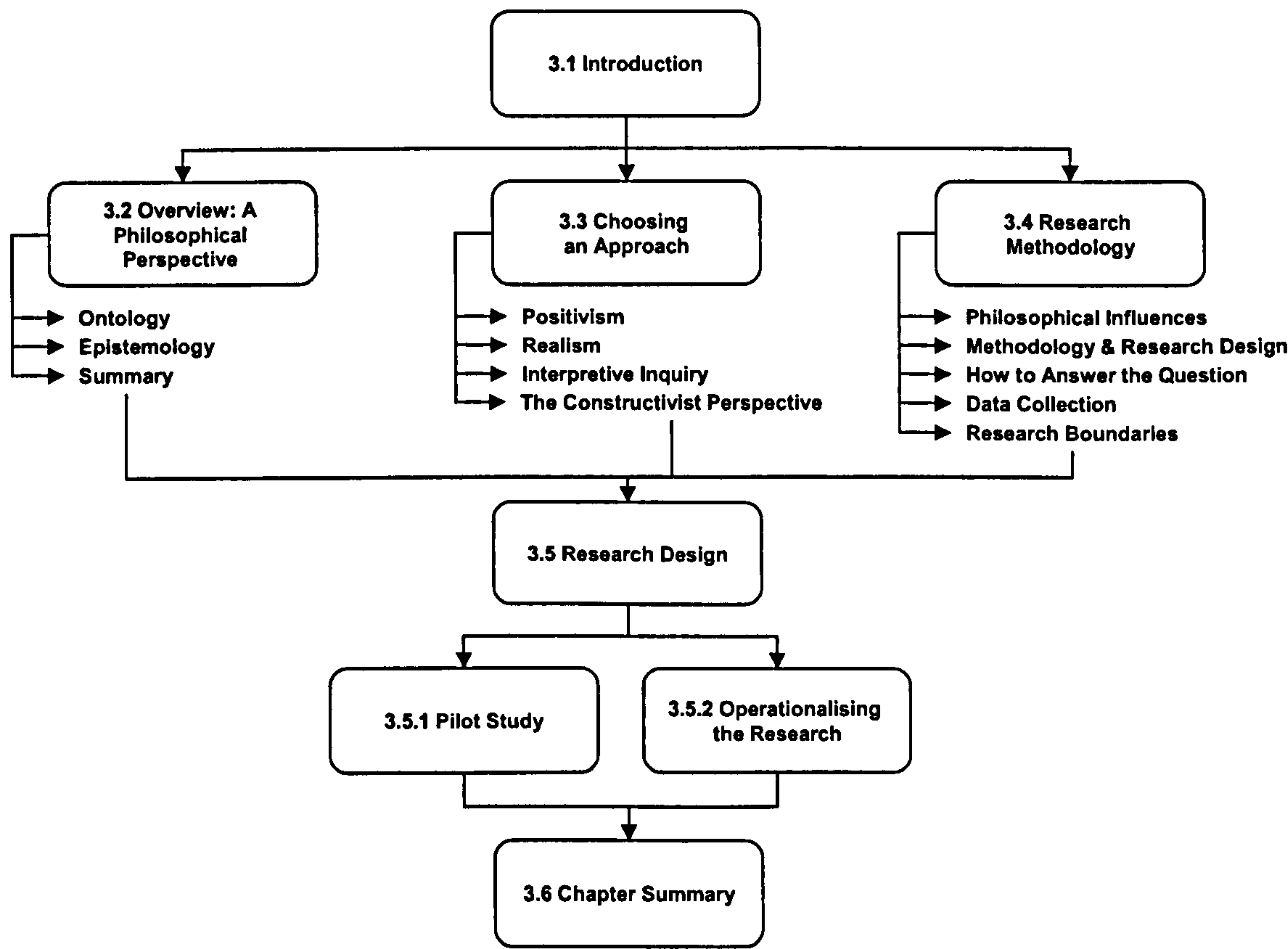
This chapter has presented a review of the literature. As a result of the literature review a gap in current empirical knowledge has been identified, and a research question has been generated that will be used to guide this research. The next chapter, chapter three, will introduce the philosophical perspective chosen for the research; this will be followed by an explanation of the research methodology and the pilot study findings.

Chapter Three Research Methodology

3.1 Introduction

This chapter will outline the philosophy and methodological approach, which will provide the framework for this research. Included in the chapter are the findings of the initial pilot study, the methods of data collection and the methods by which the data were analysed and interpreted. An outline of the format of this chapter is presented below:

Figure 3.1 Outline of Chapter 3



Source: Compiled by the Author



The literature review presented in chapter two revealed that existing boardroom research has failed to take account of context (Pettigrew 1992). This has led to conflicting and confusing research results ( Dalton and Daily, 1999; Korac Kakabadse et al. 2001). Pettigrew (1992: 173) believes that “great inferential leaps” are made between input variables and output variables, such as from board composition to board performance, without assessing the context in which these variables are situated. Therefore the aim of this research is explore the role and contribution of the individual Non Executive Director, so as to add to empirical research a rich new understanding of this role from the perspective of the Non Executive Director. The methodology that will be used in this research is outlined below.

### **3.2 Overview: A Philosophical Perspective**

Philosophy has at its heart the inter-connected concepts of ontology and epistemology. Blaikie (1993: 6-7) explains the two concepts thus: “*ontology* refers to the claims or assumptions that a particular approach to social enquiry makes about the nature of social reality, and *epistemology* refers to the claims or assumptions made about the ways in which it is possible to gain knowledge of this reality, whatever it is understood to be, claims about how what exists may be known”.

This research adopts the ontological perspective of broad constructivism. Constructivists believe that what we view as objective knowledge and truth is merely the result of perspective, reality is a subjective construct, “emphasising the

instrumental and practical function” of knowing (Schwandt, 1994: 125). By interpreting the meanings of actors the constructivist describes their subjective realities which, in the case of this study, broadly concerns, as the unit of analysis, the ‘individual Non Executive Director’ focusing on perceptions of their role and contribution within the corporate board.

This section will now discuss in more detail the implications of the chosen approach in the light of other perspectives currently used within management research. Attention will then be turned to the methodological implications of the constructivist approach and specifically the choice of a qualitative interpretive epistemology.

### **3.2.1 Ontology - Social Reality**

Reality is based on our understanding of the world; it is deeply embedded by the social and personal values and constraints that surround us. We each interpret it uniquely through our culture, nationality and individual experience layered with those of our peers, leaders and family. It seems highly improbable that there can ever be just one truth, which can be generalised universally. However some truths may be broadly generalised within ‘realistic’ boundaries (Miles and Huberman, 1992: 4). In order to gain any deep understanding of the reality of others we must first understand their context and also be reflexive enough to identify our own partiality.



Individuals such as for example, Non Executive Directors, operating within similar boundaries of context may possess similar views of reality (Guba and Lincoln, 1994). We can reasonably assume this because much of the previous research in this area has examined the Non Executive Directors' demographics and shows clearly that most come from similar backgrounds, have similar levels of education and are of a similar age. However, it may be necessary to interpret the words of respondents, to develop and conceptualise their meanings, to provide a broader and more generalisable theory. Diesing (1971) writes; "actual scientific knowledge is in large part an invention or development rather than an imitation; concepts hypotheses and theories are not found ready-made in reality and must be constructed". With this in mind it is true to say that the researcher's own ideas, own truth, will undoubtedly 'contaminate' the data.

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### **3.2.2 Epistemology – the Truth is Out There?**

Epistemology has broad implications in terms of the selection of a research methodology; of concern is the seeming lack of connection between usefulness and validity. The main reason for this concern stems from an over-reliance on research methods that place accuracy, in the sense of replicability, above all else. Such positivistic approaches generally employ statistical surveys of large groups. Whilst this type of research may lead to a greater likelihood of duplication much of the rich context of a phenomenon may be lost without trace. The researcher's aim in this project is to provide a rich understanding of those Non Executives who take part in the study. It is not necessarily the study's aim to produce a theory that can be widely

generalised. In the governance and boardroom literature Pettigrew argues again and again for descriptive empirically-based research into boardroom roles (Pettigrew, 1992; McNulty and Pettigrew, 1999; Starkey, 2001). Researchers, anxious to bring practicality to organisational research, are increasingly voicing this theme. However, the problem for many academics appears to have been a lack of access to the phenomenon, leading to an enforced “hands off” approach and a dependence on positivistic research methods. Through a great deal of effort, this challenge has been largely overcome in this project.

The next section will briefly address the perspective of the researcher in order to give a clearer understanding of what motivated this research.

### **3.2.3 Who Am I?**

The process of carrying out an interpretive study is highly personal, particularly for the constructivist researcher. Although the author has tried her very best to remain an objective observer of the world of the corporate board, it is only human to develop ones own opinions. To separate these opinions entirely from the research at hand might not only lead to a bland one dimensional study, but would also work against the constructivist philosophy that all things of themselves are subjectively viewed by the observer. In light of this it is important for the reader to understand from whence this research came and what drove “me” the author to try to understand the issues contained within this thesis.



During the night of December the 3<sup>rd</sup> 1984, in a part of India then little known to the western world. A chemical plant leaked forty metric tons of methyl isocyanate into the heart of the city of Bhopal, killing at least 15,000 people and maiming as many as 600,000 more.

The chemical plant belonged to Union Carbide a huge chemical conglomerate, who had moved the production of certain hazardous chemicals to India in order to avoid American regulatory pressures. The company has always denied responsibility for the accident, despite warnings years earlier that such an accident was almost inevitable, Union Carbide has always claimed that a single employee sabotaged the plant.

In the ensuing aftermath, Union Carbide refused for some days to inform local hospitals of what chemicals they were dealing with, for fear of revealing industrial secrets. As a result, many individuals were left without proper treatment. Attempts were made to bring members of the Union Carbide board of Directors to account by the Indian Government, but after pressure from the Americans and internal fears about losing foreign investment these attempts were stalled.

I was just 15 years old when these events began to unfold in India, living in rural England they completely passed me by. However years later I was asked to do some research into Union Carbide and was profoundly moved by what I discovered. From this small beginning my interests grew into a desire to understand how it might be possible to effect the behaviour of these corporate giants and in particular how those

who sit at the apex of the firm might be guided towards more ethical and responsible decision making.

### **3.3 The Choice of Approach**

This section will now address the broad range of philosophical approaches in order to explain why the constructivist's view is considered most applicable to the research in question.

#### **3.3.1 Positivism**

Positivists take the position that society exists in a regular and scientifically observable state, that the researcher should be in control, and totally objective. This style of research tends to be quantitative in nature and is characterised by generalisability. Methods of data collection in positivist research tend to include experimental design and surveys. As a consequence positivism also gives less attention to context than qualitative research does (Guba and Lincoln, 1994). A positivist methodology will provide greatest insights where theory development is already well advanced, but only limited insights during the early stages of the understanding/theory development life cycle (Blaikie 1993). The phenomenon in this study, the individual Non Executive Director, has undergone little academic research. There is currently little or no theory in the subject area (McNulty and Pettigrew, 1999). It is argued by Mintzberg (1979) that quantitative research is not an appropriate method for theory building because "Creative insight seems to



require the sense of things - how they feel, how they smell". The use of a positivistic approach is therefore rejected.

### **3.3.2 Realism**

Realism is a relatively modern philosophical perspective, with its own ontology and epistemology. For example Bhaskar's formative work on realism (1978: 250) suggests "things exist and act independently of our descriptions, but we can only know them under particular descriptions". This might be contrasted with the positivist view of science, which is seen as a systematic attempt to express in thought, the structures and ways of acting of things that exist independently of thought (Bhaskar 1978). Realists in general favour the interpretive school over positivism, but without totally rejecting the possibility of gaining some insight from a partially quantitative approach. They believe that there are fundamental differences between natural and social phenomena (Blaikie, 1993). They do, however, criticise positivism for not adequately explaining the linkages between things, as it fails to allow for context. The realist philosophy was rejected in this study because it does not adequately fit with the posed research question; realists see objectivity as a key characteristic of their epistemology (Guba and Lincoln, 1994). Realism fails to recognise the socially constructed nature of reality (Schwandt, 1997); this research will examine the roles of individual Non Executive Directors. It is argued that individuals bring with them their own interpretation of reality that is innately a subjective version of truth.

### **3.3.3 Interpretive Inquiry**

Interpretive inquiry is an alternative to the styles espoused above. By using the interpretive approach, meaning is developed through interpretation of the actor's complex processes of social interaction. The approach has two main philosophical perspectives constructivism and interpretivism, both of these approaches have at their heart the desire to understand "the complex world of lived experience from the perspective of those who live it" (Schwandt, 1994: 118). Their understanding of reality is similar but subtly different in one important way; the interpretivist believes that through their construction of the subjective world they can then seek objectivity (Schwandt, 1994). The researcher's own views differ from this perspective in that, even when knowledge gained from the subjective perceptions of the actor has been constructed by the researcher, it still remains only the researcher's personal subjective interpretation of the world view of the actor, in this case the Non Executive Director. This personal perspective is in line with that of the constructivist who believes that all world views are subjective (Goodman and Elgin, 1988).

### **3.3.4 The Constructivist Ontology**

In contrast to the realist's and the positivist's view of reality the constructivist argues that what we view as objective knowledge and truth, is merely the result of perspective; reality is a subjective construct "emphasising the instrumental and practical function" of knowing (Schwandt, 1994: 125). Constructivists believe that realities are multiple intangible mental constructs; they argue that elements of reality



may be shared amongst groups and even across cultures (Guba and Lincoln, 1994). Reality is viewed as subjectively interpreted by the individual or group (Schwandt, 1994).

In terms of the aims of this research, constructivism is useful because it accepts the importance and uniqueness of the individual's perceptions of reality. The aim of this research is to explore the role and contribution of Non Executive Directors from their own perspective. Constructivism would suggest that the Non Executives' perception of the reality of the role they perform will most likely differ from the reality of the role from the perspective of their CEO for example. In this way all reality is viewed as subjectively constructed. The constructivist also believes that those within a group or culture may have developed similar world views, therefore Non Executives in general may, using the constructivist philosophy, have similar understandings of what it is to be a Non Executive Director.

It is this researcher's belief that the knowledge of reality obtained by the study will be dependent on the choice of actors. Those who simply observe the role may view the role differently from those who actually perform it (Blaikie, 1993). Therefore, it is essential to view the role of the Non Executives from their own subjective perception of reality. This research will address a gap in empirical research by focusing on Non Executive Directors within the corporate board; the research will explore their subjective perceptions of their role, the need to balance divergent constituents and their role in corporate responsibility practices within a rich context.

### **3.4 Research Methodology**

#### **3.4.1 Philosophical Influences on Methodological Choices**

There is a broad spectrum of methodological approaches for management research from scientific and objective (positivist) through to the subjective (interpretive) (Bryman, 1988). The importance of these when exploring social issues rests on two concerns: firstly, the researcher's own view of reality and how that might impact on the phenomenon under investigation; secondly, the type of data and information, its sources and the means by which it is to be analysed (Gill and Johnson 1991). These provide the differentiation between quantitative and qualitative approaches.

#### **3.4.2 Methodology and Research Design**

The rejection of both the realist and the positivist paradigms in favour of constructivist ontology has implications for the choice of research methodology. The methodology must be able to capture the subjective perceptions of the individual Non Executive Director. Blaikie (1993) suggests that it is possible to construct theory using the language of those being studied, describing their activities and meanings and then developing categories and concepts, at last developing ideas through the induction of data.

The constructivist believes that to understand meaning one must first interpret it (Schwandt, 1994). Interpretive research attempts to interpret and explore whilst in the process of developing theories. Methods of interpretation are qualitative and



tend to include participant observation, open or unstructured and semi-structured interviews. Such methods can be especially effective where existing theory is weak (Eisenhardt 1989), as is the case with the phenomenon under investigation. In choosing an appropriate research method, Blaikie (1993) writes that the key issue is how the question(s) can be answered. The choice of methodology should therefore depend on the nature of the research enquiry.

### **3.4.3 How to Answer the Question**

Many authors have argued that taking account of context is of primary importance when researching the behaviour of corporate boards (Pettigrew, 1992; Korac Kakabadse et al. 2001). However boardroom research has tended previously to be highly positivistic, examining such things as the statistical demographics of boardroom members. Positivistic methodologies provide greatest insights where theory development is already well advanced, but only limited insights during the early stages of the theory development life cycle (Blaikie 1993).

A serious consequence of the positivists approach is an inability to account for the context in which a phenomenon exists (Guba and Lincoln, 1994). Mintzberg (1979) argues that quantitative research is not an appropriate method for theory building. He believes that “creative insight” requires a more in-depth descriptive approach. For these reasons an interpretive approach to the methodology using qualitative data gathered from individual Non Executive Directors will best fulfill the aims of this project, and fit with the researcher’s own philosophical standpoint.

### **3.4.5 Data Collection**

This research explores Non Executive Directors' subjective perception of their individual role and contribution. In order to implement this, three types of data collection were apparent. The first, participant observation, would involve spending time at board meetings with the relevant Non-Executive Director. This approach was discounted as it became clear that appropriate access would not be granted in almost all instances.

Focus group interviews were also considered. However, these posed two problems: firstly organising a group of Non Executive Directors to congregate together would be problematic, as they are busy people and were identified as having limited discretionary time. Secondly, research suggests that personal and sensitive information is unlikely to be gained from this type of examination (Kaplowitz, 2000).

The aim of this research is to explore the role and contribution of the individual Non Executive Director. As so little is known about the actual operations of the individuals in question, it was considered to be most appropriate to use an in-depth interview technique; gently leading individual subjects through a conversation whilst also allowing the Non Executive Directors to take an active part in uncovering the phenomenon. This type of inductive approach can be difficult for an inexperienced researcher (Miles and Huberman, 1992). Time can be spent wading through months of interviews only to discover a few "banalities". However, such methods are



considered to be highly appropriate when uncovering under-studied and complex phenomenon (Miles and Huberman, 1992). The rewards of using an inductive approach seemed worth the risk.

To ensure the value of the data collection method, in-depth interviews were first used during the pilot phase of the research and were found to unearth relevant data. It was therefore decided to continue with this technique for the main study. Previous studies have found that individual in-depth interview participants “are significantly more likely to raise sensitive discussion topics than focus group participants” (Kaplowitz, 2000: 429), this technique is therefore ideal for uncovering previously unidentified issues of a sensitive nature. Additionally, individual interviews position participants so that they are “forced” to explain themselves (Kaplowitz, 2000) and this, according to Agar and MacDonald (1995), leads to sharing and elaboration, and sometimes generates intimate information. Kaplowitz (2000: 421) defines this type of data “as utterances that specifically concern difficulties in and between communities and community members” In the case of this research, communities are the network of boards with which the individual Non Executive is involved.

In-depth interviews were also considered most useful for this research because they provide “thick descriptions”. Thompson (2001: 70) argues that “Understanding meaning requires context; thick description provides that context”. “Thick description”, according to Geertz (1973) is a way to discover and reveal the depth of meaning that individuals inscribe in their language and actions. Geertz does not define “thick description” but demonstrates what he means by describing the

difference to an observer between a wink and a blink, the observer must use her understanding of the context in which the action took place to understand the action. Denzin (1989: 33) goes further and characterises “thick descriptions” in four ways;

1. It gives context to an act,
2. It states the intentions and meanings that organise the action,
3. It traces the evolution and development of the act,
4. It presents the action as a text that can be interpreted.

In-depth interviews enable the researcher to collect “thick descriptions” from one interviewee at a time. The researcher then compares each interview with other interviews to determine similarities and differences between the different instances. The researcher keeps adding instances until saturation is attained. Saturation is reached when the researcher stops learning new things about the phenomenon and recently collected data appear repetitious or redundant (Eisenhardt, 1989).

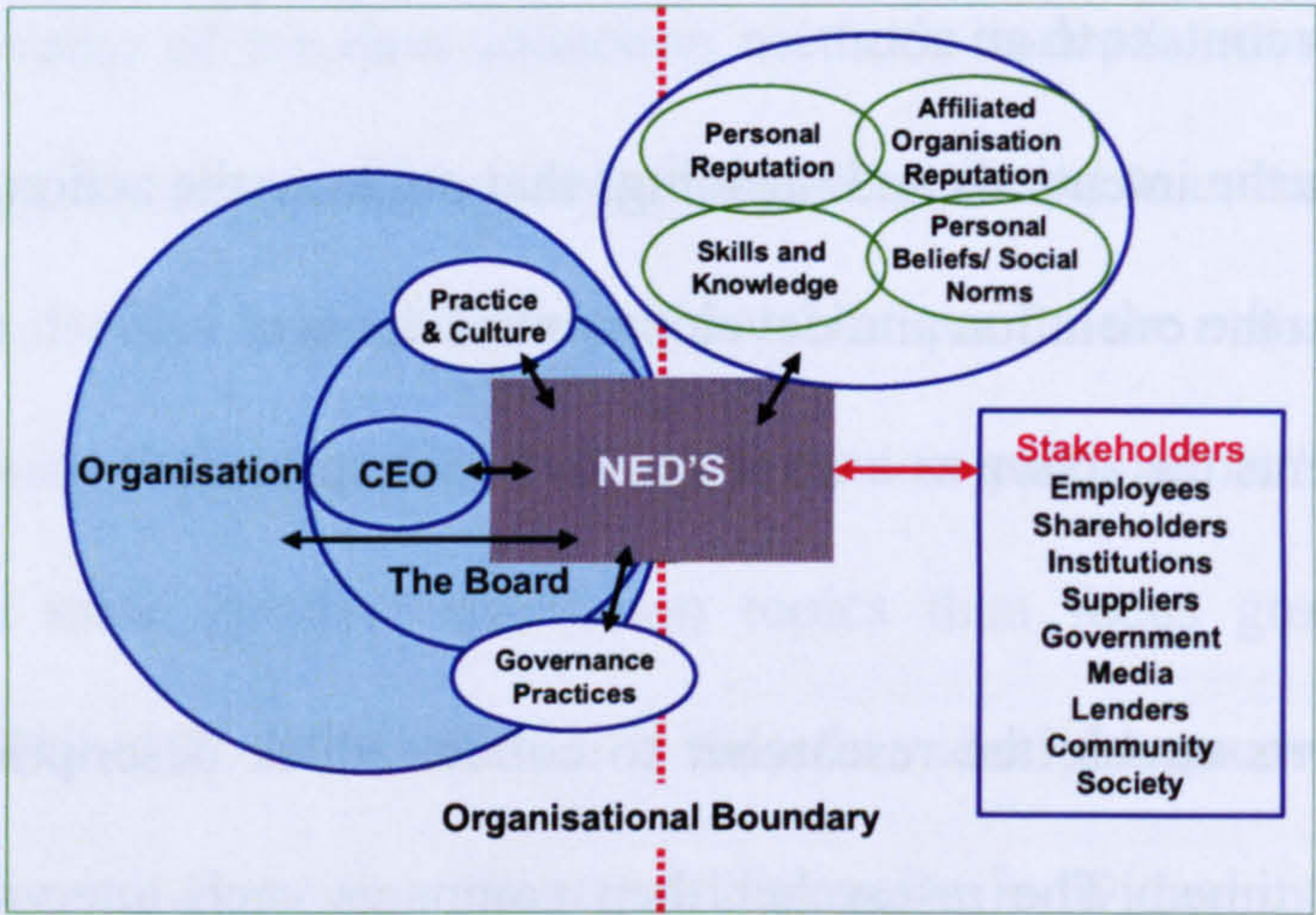
### **3.4.6 Research Boundaries**

A problem facing the researcher when using qualitative research is the often staggering volumes of data (Eisenhardt, 1989; Pettigrew, 1988). The volume of data is all the more daunting because the research problem being addressed is often open ended (Eisenhardt 1989). Figure 3.2 depicts the phenomenological research boundaries for this research; they are intentionally wide to allow the deep and broad context of the individual Non Executive Director to be articulated. By presenting



the bounded nature of the phenomenon at the outset it is hoped that data overload can at least be managed, if not completely averted.

**Figure 3.2: The bounded Context of the Non Executive Director**



**Source: Barratt and Korac Kakabadse (2002)**

This research aims to explore subjective perceptions of individual Non Executive Directors focusing on their ability to balance divergent constituencies whilst contributing to corporate responsibility practices within the corporate board. The unit of analysis is therefore the individual Non Executive Director. The level of analysis is the board of directors focusing on the Non Executive Director and the context of the study is their role as boundary spanners in balancing divergent constituents and corporate responsibility practices within the corporate board.

**3.5 Research Design**

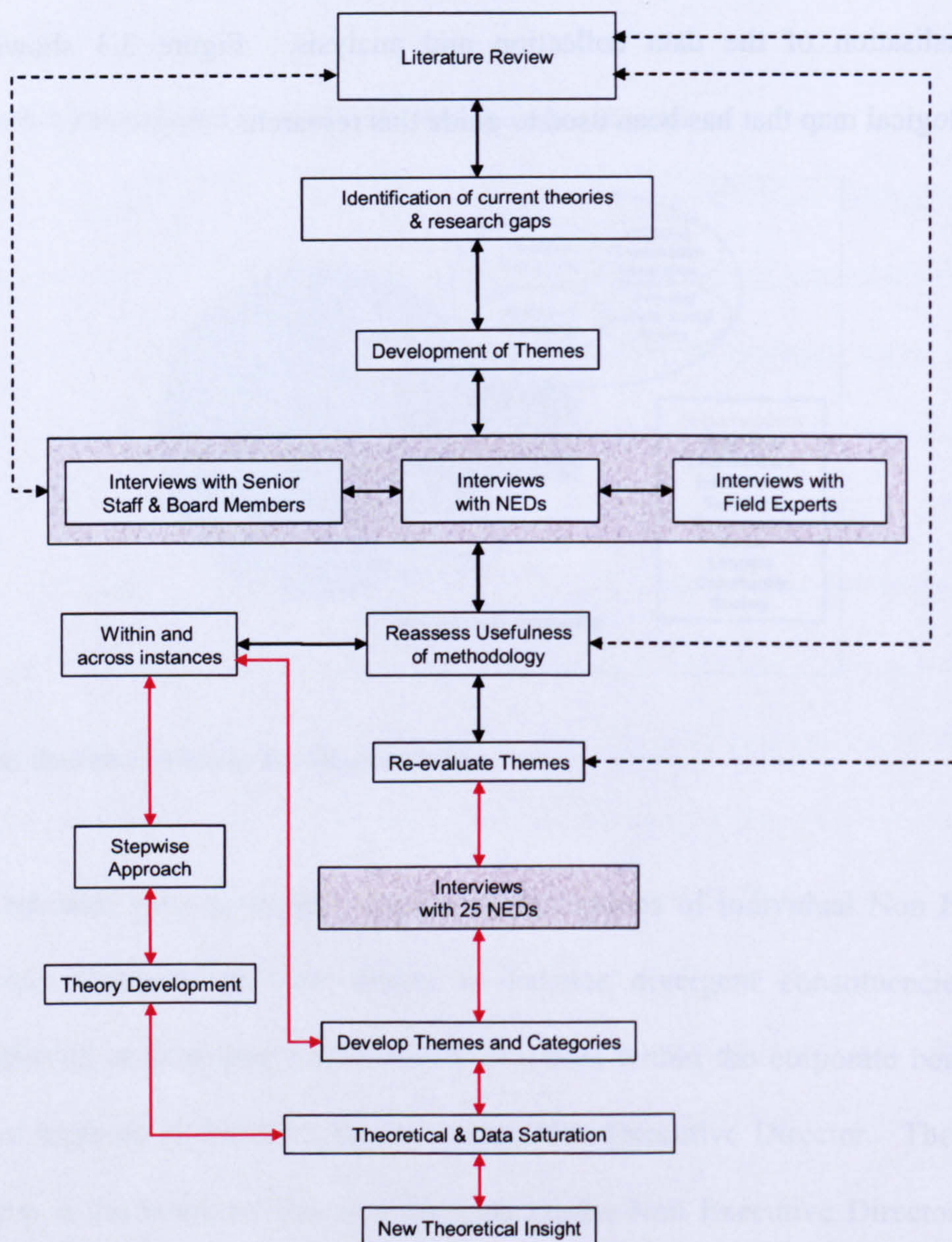
This research consisted of three stages. Firstly, a review was undertaken of the relevant literatures as described in chapter two of this thesis. This guided and



informed stage two, a pilot study of eight Non Executive Directors and six expert witnesses. This is discussed next, followed by detailed information about the operationalisation of the data collection and analysis. Figure 3.3 shows the methodological map that has been used to guide this research:



### Figure 3.3: Methodology Road Map



**Source: Compiled by the Author**



### **3.5.1 The Pilot Study: Research Phase Two**

Data for the pilot study were gathered through in-depth interviews and archival data regarding the individuals and their organisations. The Institute of Directors were very helpful in providing a list of possible candidates for interview along with their postal and e-mail addresses, the researcher also utilised her own contacts and those of Cranfield School of Management and WP Carey School of Business to gain access to potential interviewees. Interview candidates were approached most successfully via email using the name of a mutual contact to enhance the legitimacy of the request; most of those who were contacted in this manner later took part in the study.

The social standing of the main actors in this study made it imperative that the researcher be well-informed before entering the field. If the researcher had been perceived as naïve or ill-informed it may have affected her ability to gain further interviews. Therefore the data from expert witnesses were used to inform the researcher prior to embarking on the main pilot study.

The purpose of the pilot study was to insure the appropriateness of the methods and the viability of the research question (Miles and Huberman, 1994). This initial exploratory study aided the researcher in her understanding of the phenomenon. The learning from the pilot phase guided the third phase of the research. Phases two and



three both adopted an exploratory interpretive approach based on in-depth interviews with individual Non Executive Directors.

At the outset of this project there was little qualitative empirical research examining the operational role and contribution of the Non Executive Director. Key themes were developed to aid the conversations with the interviewees. Interviewees were almost unanimous in their generosity of time, some giving as much as three hours to the project. The original themes are documented in Table 3.1.

**Table 3.1: Exploratory Pilot Study Themes**

<ul style="list-style-type: none"><li>• The contribution of Non Executive Director’s role, impact, interests.</li><li>• Corporate social responsibility in the boardroom.</li><li>• The decision making process.</li><li>• Corporate reputation: the role and contribution of the board.</li><li>• Capabilities of Non Executive Directors, skills, personal reputation and reputation by association.</li><li>• The impact of corporate constituents.</li><li>• Non Executive Director expertise and external experiences.</li><li>• The contribution of senior managers, role, impact and relationship with the board.</li><li>• Boardroom contexts.</li><li>• Enhancing boardroom performance in the future.</li></ul>
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Questions were posed regarding the Non Executives’ perceptions, in line with the themes displayed in table 3.1. However, given the exploratory nature of the pilot study, each interviewee was allowed to develop the conversation in relation to

individual interests and concerns. The researcher simply brought the questioning back into line whenever it became appropriate to do so. As the interviews progressed it became clear that some areas were producing more fruitful data and were easier for the interviewees to discuss than others. Interviewees were extremely candid and went into a great deal of detail about their own experiences and relationships. The study participants provided vivid and often surprising insights into life in the boardroom. Protecting their confidentiality has become critical to the success of this project. By allowing the interviewees to develop the conversation in this way, the researcher found that individuals became much more animated and open and almost certainly more willing to divulge information, which a more regimented technique could not have achieved.

### **3.5.1a Pilot Study Analysis**

After each of the pilot study interviews was completed, the data were transcribed in full and placed into NVivo for further analysis. Each data set was then analysed individually and key themes were produced manually. Data sets were then amalgamated into tables so that themes could be analysed across cases. Appendix I at the end of this thesis illustrates the use of these tables. An asterisk was marked next to each theme that the individual expressed as important, and either two or three asterisks, depending on how significant the individual made the theme. It should be noted that the theme tables in appendix I were not used as a dialogue counting mechanism, rather importance was assigned based on a qualitative criterion; Although significance was attributed where appropriate when a theme was



mentioned on multiple occasions, significance was also attributed when the tone and style of conversation led directly or indirectly to the conclusion that a theme was of importance. This method required that both the transcripts and the tapes of the original conversations be listened to on several occasions by the researcher in conjunction with the notes made at the physical meeting. Once the issues had all been gathered into the table it was clear that the volume of themes was going to be difficult to work with. Themes were therefore grouped into manageable sets.

This type of analysis is obviously open to researcher bias. Therefore an independent third party also analysed one of the interviews to test the reliability of interpretation. The interpretation of the interview by the third party was shown to be similar to that of the researcher, suggesting the trustworthiness of the interpretation. The main findings of the pilot study are outlined below.

### **3.5.1b Pilot Study Findings**

The pilot study findings have been arranged into themes to aid the reader.

#### **Themes Specific to the Individual**

The themes specific to the individual relate to the way each interviewee felt about himself or herself whilst working in the boardroom environment. Many discussed at great length their feelings of insecurity and lack of confidence particularly when faced with a group of individuals who, they felt, were somehow superior to them. The word “intimidation” came up on a number of occasions. As interviewee 4 put

it, referring to the relationship that the directors had with the CEO, “I couldn’t believe how silently everybody sat....you wouldn’t have dared speak out and I think all of us were terrified of him”. This was particularly interesting, as most of the interviewees had spent their entire careers as leaders and people of prominence. The study participants also felt particularly strongly about the issue of training. There was a clear lack of role understanding; they all felt that they needed more training particularly in terms of an understanding of the financial aspects of the organisation and its general operations.

### **Themes that Relate to the Individuals’ Context**

This theme revolves around the actual technicalities of meetings and how this affected the role and contribution of the study participants. There was debate among interviewees about the use of informal sessions and how this affects the board overall. Some felt that the use of informal meetings was derisive and made the CEO feel extremely uncomfortable, particularly if such meetings were not planned. This, in turn, they felt could lead to poor or short-term performance within the organisation. The CEO would be more likely to seek short-term profits to protect his job, rather than looking at the long-term stability of the organisation. They talked a lot about the importance of a “safe haven” where the CEO could enter into long-term decisions without the ever-looming threat of the City hanging over him. Other issues related to the use of agendas to control debate and the common use of financial language in the boardroom.



## **Information Flow**

This theme centred on the flow of information both to and from the subjects. Many talked about their surprise at not to be asked to make a contribution when issues were discussed on which they might widely be considered to be an expert. Some were too intimidated to intervene. The flow of information to the interviewees was also highlighted, some talked about reluctance within the executive to provide wider access to the organisation.

## **Unity**

An interesting finding was the role of the Executives other than the CEO. Some of the Non Executive Directors expressed the view that they had sometimes been suspicious that the CFO (for example) might have a different opinion on a given subject from the CEO. However, the pressure to have unity would, it was felt, always have prevented the CFO from speaking out. When asked if they would speak to the CFO outside the boardroom, most felt that the CEO would be very unhappy about this, although some felt that it was a matter that they might bring up with the Chairman; many were obviously intimidated at the prospect. Others discussed their understanding that it was taboo for them to speak to Executives because of the discomfort this appeared to create for the CEO who seemed to feel very threatened at the prospect.

## **Meeting Style**

The effect of the Chairman and CEO came up during the interviews time and time again; many seemed to be intimidated by the CEO, particularly if the Chairman were

seen to be very “hands on”. Many described situations where the Chairman and CEO formed a “double act”, controlling the board rather than seeking advice from it. They fairly unanimously were of the opinion that the Chairman should run the board and the CEO the company, but described a number of situations where this did not happen and the Chairman was effectively trying to run the company. This type of behaviour had a major effect on the team dynamic. A factor that came through very clearly was the importance, particularly to the Chairman and CEO, of having consensus; a number of interviewees commented on the desire to avoid any kind of split in the board.

### **Themes that are influenced by role expectations**

Many of the issues in this section focused around an apparent lack of understanding about an individual’s role. A number of Non Executive Directors talked about not really understanding their role, and receiving little or no guidance from the company. They talked about their past work experience and how they felt that the companies had failed to utilise them in any meaningful way.

### **How I Feel About the Job?**

An overriding factor in this whole set of interviews has been intimidation. Interviewees described situations where they did not act because they felt too intimidated, generally because they felt they lacked the necessary skills or because the CEO or Chairman was putting the argument forcefully. This kind of scenario was sometimes averted when one Non Executive Director had taken the lead on an issue because of a strong understanding of a particular area. This in turn had made it much easier for others to speak out. One caution here was that, sometimes, such an



individual would try to dominate proceedings with their own agenda. Some interviewees described how the nuances of behaviour from others within the board could affect both the desire and also ability of individuals to fulfil their role and provide that extra “ten percent” which makes the difference between an average board and a really powerful one.

### **How I Do the Job?**

For many of the individuals who took part in the pilot study, the complexity of the organisations in which they operated was immense. The different ways in which they handled this were very interesting. Some worked on the basis of the smallest common denominator. For example, one individual tended to use their mother as an example when talking about the effect of an international telecommunications company on its customers. Most agreed that having direct knowledge of a specific industry was not as important for a Non Executive Director as having experience of working at that level. In fact many argued that it was their ability to bring their experience from elsewhere that made them useful.

For many there was concern about where they should go for guidance. There is no professional body for Non Executive Directors. The Institute of Directors is seen as being there for the executive board. Many felt that they had no one to turn to when it came to difficult dilemmas. Interviewees said they hoped that they would be able to obtain guidance from other members of the board, and use them as sounding-boards when they felt unhappy about something. However, upon closer examination, when talking about instances of actual behaviour on a number of boards, it became clear that the reality was that off-the-record conversations and telephone calls were

not really encouraged by CEO's or Chairmen. A number spoke of situations where another board member who had had a previous experience of a particular issue had spoken out. The third party's ability to speak out gave others the confidence to then enter the debate. This type of boundary spanning appears to be highly effective in that not only are new skills brought to the initial host board, it would also appear that when Non Executive Directors witness a useful strategy on one board they are likely to transfer it to other boards within their network.

### **Risk and Reputation**

At the beginning of this project, the researcher set out as one of the goals of this project, a better understanding of the role of the Non Executive Director in terms of corporate social responsibility. The findings so far suggest that Non Executive Directors do not appear to become involved in CSR unless they have a deeper understanding or prior experience. Instead, most boards are moving towards a committee structure for dealing with these issues. Most of these committees are still in the formative stages and it is not yet clear how they will report back to the board. Two Non Executive Directors recounted stories of their boards finalising major strategic plans without making any enquiries about the effect on the workforce until the very last minute – almost it would appear, as an afterthought! Others described the weighting of decisions being in favour of the financial aspects rather than the “softer” people aspects of the decision.

In general there was agreement that CSR was a difficult term for boards to deal with, that it had connotations of “giving money away”. Instead, interviewees often talked



of the need for a business case and the importance of a meaningful return on any 'investment'. The term 'risk and reputation' they generally felt provided a better basis for them to make decisions and was more palatable to their most important constituent – the shareholder. This cost benefit approach appears to fulfil an important criterion for success, in that it does not (or should not) lead to the long-term dilution of profits, which after all is the *raison d'être* of most organisations. Furthermore, there is a suggestion that some projects which, if they were not thought of in terms of risk and reputation, would not receive the same degree of backing.

### **3.5.1c Summary and Implications of the Pilot Study Findings**

The analysis of the pilot study findings had three purposes: to identify what issues were of relevance to the study, to link those findings back to previous literature, and to guide the issues to be developed during the main study.

One important issue, which emerged from the pilot study, was the relevance of role theory to the behaviour of individuals within the boardroom. The literature suggests that Non Executive Directors work as boundary spanners between the organisation and the outside world (Wang and Dewhirst, 1992), and this is confirmed by the pilot study findings. However, their ability to use this role effectively for the good of the organisation appears to be influenced by the nuances of the boardroom environment on a number of levels. This is exemplified in the pilot study by instances such as:

- Individuals appearing uncomfortable about voicing opinions on issues about which the wider world would consider them to be experts.
- Apparent lack of trust between different 'factions' on the board. For example, Non Executives not trusting what they are being told by the Executive Directors and CEO's feeling the need to control conversations between Non Executive Directors.
- Non Executive Directors feeling intimidated into silence by those around them.
- Non Executive Directors failing to understand what is required of them.

The literature identifies problems for boundary spanners in terms of their role (Friedman and Podolny, 1992; Floyd and Lane, 2000) but this has not previously been applied to Non Executive Director roles. Theory in this area suggests that if an individual's role is not clearly defined role, conflict may occur leading to distress for the individual, avoidance tactics, lying, organisational exit and the withholding of information (Floyd and Lane, 2000). The pilot study suggests that many Non Executive Directors do not receive any kind of job description or training, yet both the pilot study and the literature suggest that they are expected to adapt very quickly to the boardroom environment (Kakabadse et al. 2001). As most of the individuals who were interviewed held multiple board positions, some were able to contrast boards, which offered guidance with those that did not. These individuals were in agreement that the boards that identified their roles explicitly were, in their opinion, more effective than those that did not.



### **3.5.1d Learning from the Pilot Study**

#### **Types of Data Collection**

In the pilot phase of this research much attention was paid to gathering data regarding the organisations in which the Non Executive Director worked, particularly the board, that the researcher had assumed would be discussed during the interview. It quickly became apparent that it was difficult for the Non Executive to talk in terms of a single board. The study participants often worked on as many as seven boards at any one time and they generally wanted to talk about all of them, plus historical information about previous board experiences. Given that the aim of this research was to uncover the ‘world view’ of the individual Non Executive Director from inside the role, the decision was made not to include information from outside sources in phase three of the project. Instead, the final stage of the research has concentrated on understanding the role of the Non Executive from their individual perspective. Instead of gathering data regarding the Non Executives’ various boards, prior to each interview a dossier regarding the individual was compiled, so that the researcher could be well-informed and conduct the interviews in a conversational manner, thereby putting the study participants at their ease and creating a safe environment in which they could speak freely.

#### **Data Analysis**

Initially the researcher used NVivo for data analysis purposes. However, it became apparent that much of the intuition, which is associated with this type of research, became blurred. Words lost their potency and took on false meanings, theories became overly complex and individual case studies became intermingled in the

researcher's own thought process. After some weeks of working with this package the decision was made to return to a manual method of analysis, allowing the words to speak for themselves (Miles and Huberman, 1992). This involved bringing together concepts and themes using post-it notes, which now line the researcher's walls. This method has proved to be much more satisfactory and effective. NVivo was used in phase three, but more as a storage tool for quick access to data and to confirm the manual analysis. In the final stages of stage three the researcher designed her own computerised database; this allowed data to be viewed more quickly and effectively both within and across instances.

### **3.5.2 Operationalising the Research: Research Phase Three**

#### **3.5.2a The Study Participants**

This study of the role and contribution of the Non Executive director utilised study participants residing in both the USA and the UK, all of who held Non Executive positions in one or more organisation. Although resident in these two countries, many held or had previously held positions in boards in other countries also, including Australia, Canada, France and South Africa. In addition, a number of study participants held positions on the boards of organisations, which might well be categorised as global business concerns.

It should be noted that some fundamental differences exist between the governance systems in the UK and USA, the most important of which is the difference in their legal standing. In the UK the corporate governance system consists of a set of



principals laid out in the Combined Code; this is a voluntary set of guide lines for corporations to interpret as they choose (McNulty and Pettigrew, 1999). In contrast the USA has a system of regulations which are contained in the Sarbanes-Oxley Act (Keenan, 2004).

The major procedural difference between UK and US boards is the combined role of the CEO and Chairman. This is still commonplace in the USA where 75% of companies still combine these two roles into one individual (Keenan, 2004). In contrast the combined role is now somewhat unusual in the UK, where most Chairmen are part-time members of the board. All the Non Executives from the American sample had experienced both the combined role of CEO and Chairman and also organisations in which the roles were separated, as had many of the study participants from the UK sample.

### **3.5.2b The Selection of New Study Participants**

As with the pilot study interviewees were sourced through the Institute of Directors, Cranfield School of Management, WP Carey College of Business and the researchers own network contacts. However as a research project matures and evolves, the selection of additional instances should be influenced by the researcher's growing understanding of the phenomenon under investigation (Ragin, 1998). Questions and issues that arose during earlier stages of the research should therefore determine the selection of new participants. During the pilot study phase of this project, a theoretical sample was used, based on the need to investigate a

broad sample of Non Executives. This method was used in order to gain understanding of the underlying issues facing the Non Executive. The data collected during the pilot study were then used to develop appropriate themes. The pilot study findings suggest that the role of the Non Executive Director is fundamentally different within small organisations and start-up ventures, when compared with large established organisations. Therefore, during the main phase of the study a reframed theoretical sample was used focusing the research on Non Executives from large complex organisations.

### **3.5.2c Study Size**

The number of study participants necessary to ensure the usefulness of a research project is complex. Some very well known studies have very successfully been based on a very small number of study participants, for example Mintzberg's (1973) study of managers was based on just five individuals. As a general rule in qualitative research, instances should continue to be added until saturation is reached. This is the point at which new data produce little or no new insight into the phenomenon (Strauss and Corbin, 1990).

This approach was considered to be most appropriate for the research because by studying several 'instances' of the same thing, different characteristics may become more visible within different instances. By exploring multiple instances of the same thing it is possible to deepen and enrich a representation (Ragin 1998). In this



research, instances refer to the subjective perception of individual Non Executive Directors concerning their role and contribution within corporate boards. Following the pilot study it was clear that although boards themselves were often very different, the perceptions of the Non Executives were quite similar. Further instances were added to understand the complex influence of context on the Non Executives' perceptions. As a result, a total of 25 interviews with individual Non Executive Directors were used to inform the main stage of the research.

### **3.5.2d The Interviews**

The in-depth interviews were held in the Non Executives' own offices or in their homes. This provided both comfort for the study participant and also allowed the researcher to study the actor within his own environment, which provided added insight into their personalities and status. Two individuals preferred to meet over dinner in a restaurant and one at his club.

In all cases the study participant was placed in control of where and when the interview should take place. Access to the study participants was often difficult to obtain; meetings were sometimes booked months in advance and frequently had to be rescheduled. However, once the interview was underway, the participants often wanted to continue the conversation long after the allotted time was over. The participants frequently mentioned their interest in the topic and their surprise at never having previously put into words their own perceptions of the role. One interviewee insisted on three separate meetings before he felt sure that he had

adequately provided his views. The length of interviews varied from one to three hours in duration, all the interviews were taped and then transcribed following the encounter.

### **3.5.2e Analysing the Data**

A problem found all too often in academic research, is the perceived gap between the researcher's description of data collection and the conclusions finally drawn from the project. According to Eisenhardt (1989) the process of analysing data is at the heart of theory building, and yet it is both the most difficult and least codified. As Miles and Huberman (1984: 16) put it so eloquently; "one cannot ordinarily follow how the researcher got from 3600 pages of field notes to the final conclusions, sprinkled with vivid quotes though they may be". In order to overcome this problem the researcher has kept notes, following the development of the project. These outline early insights, observations and problems, and how these were managed (Strauss and Corbin, 1990).

As the data from each interview were collected, it was transcribed in full and then systematically coded by the researcher using both manual and computer assisted methods. NVivo was used as a method to retrieve information quickly. In addition, as the project progressed, the researcher also developed a separate computer analysis system, which allowed her to examine emergent themes and theoretical categories more successfully. As more interviews were added the researcher spent many hours reflecting and reviewing the contents of each interview, an important part of the



analysis process was reviewing the actual words of the interviewees, this process became more and more important as the research process progressed. Table 3.2 outlines the inductive process that was used to analyse the data:

**Table 3.2: Coding process through inductive analysis**

Process	Operationalisation
Initial read through of text data	Each interview transcript.
Identify specific segments of information	Within each transcript themes emerging from the data using NVivo to manage the data.
Label the segments of information to create categories	Create categories from the emerging themes, with a qualitative description of each category.
Reduce overlap and redundancy among the categories	Look manually across interviews and compare categories for duplication of meaning.
Qualitative step wise analysis	Categories are examined side by side to ascertain patterns within and between the instances.
Create a model incorporating most important categories	Overarching categories that describe the Non Executive Director’s role and feedback to existing theory and literature.

**Source: Based on Creswell (2002)**

The researcher continued to add new interviews to the study until it was clear that no substantially new evidence was forthcoming. Once this saturation point was reached, the themes developed across instances were then analysed using a qualitative step-wise approach to develop overarching themes. A step-wise approach can be used for two purposes: to aid classification of data, and for data discrimination. The objective of the approach is to differentiate amongst instances (Individual Non Executives’ subjective perceptions) within overarching categories that emerge from the data. Operationally for this study, inductive analysis involved looking across the themes generated in the first part of the analysis, in order to categorise and possibly distinguish instances that did not readily fit into the identified pattern, thus creating

new categories. For example, the pilot study suggested that some Non Executives experience role conflict whilst others do not. By using a qualitative step-wise approach, it was possible to discern categories that were commonly held or experienced (e.g. role conflict) from categories that were not, thereby creating sub categories, which were then be used to construct a tentative model. As the themes were categorised a third party was asked to also sift through the emerging themes and suggest their notion of categories for the data. This was then compared by the researcher to her own classification of emerging themes in this way the risk of excessive researcher bias may have been somewhat reduced.

The final stage of the project was to write up the findings of the research. Iterations of the findings had been evolved over the course of the study often meta-morphing in rows of connecting post-it-notes around the researchers office and home. The final act was to bring all of this together into an interpretation of the Non Executive Directors' own subjective perceptions of their role, relating the emergent themes back to existent literature and arguing the case for the tentative model. The rest of this thesis will examine the findings of the study.

### **3.6 Chapter Summary**

This chapter has described the research methodology and the philosophical perspective that underlies this thesis. The findings of the pilot study have been exhibited along with the effect of the pilot study on the methodological choice going



forward into the main study. The next chapter provides an in-depth analysis of the results of the research.

## **CHAPTER FOUR: ANALYSIS**

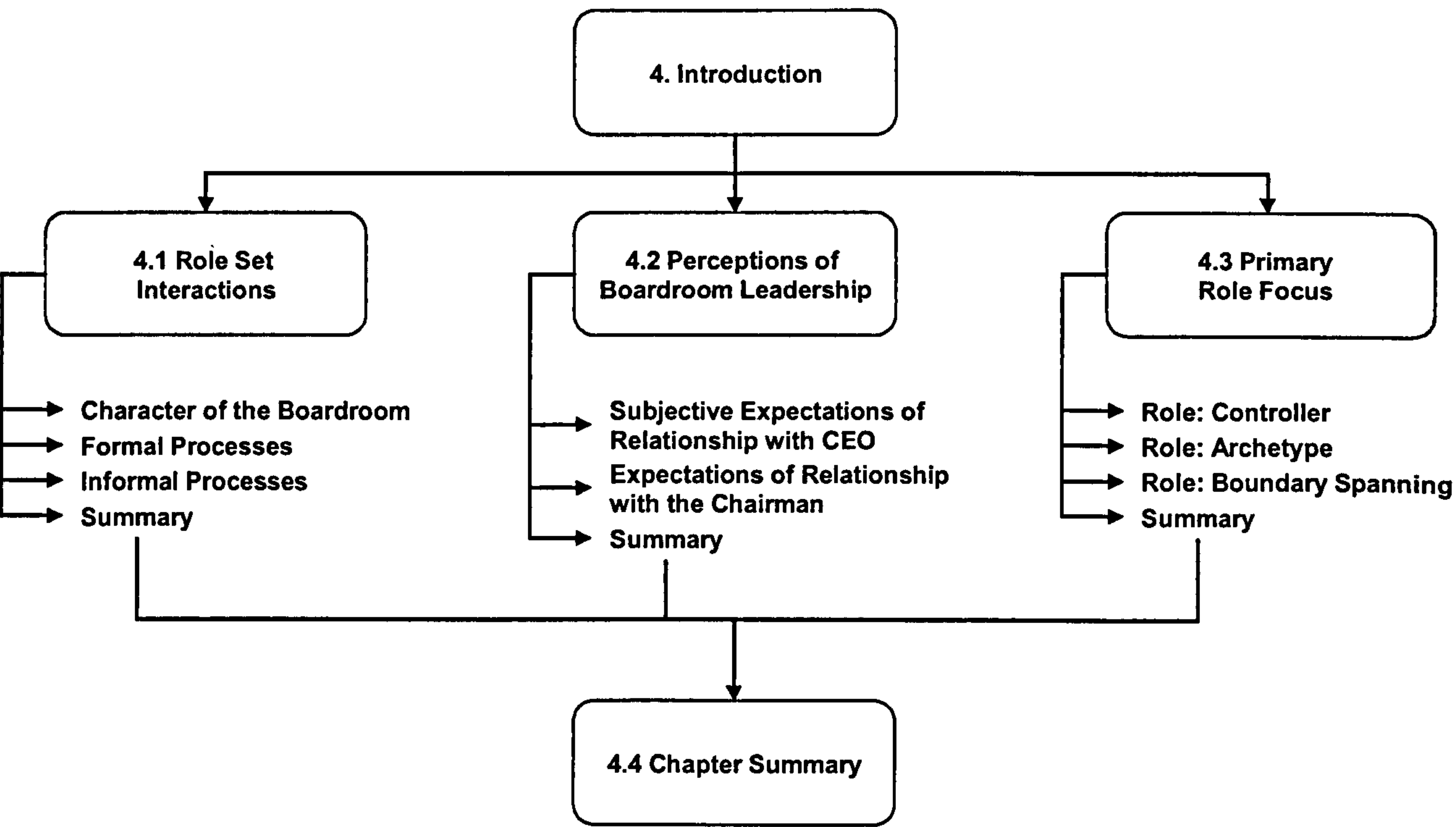
### **4.0.1 Introduction**

This chapter presents an analysis of how Non Executive Directors perceive their role and contribution within the boardroom team. The analysis draws upon the Non Executive Directors' own words from individual interviews to highlight and explore specific instances. Their perceptions of their roles are analysed by interpreting their personal and subjective meanings and the implications of these within their Non Executive Director roles.

In light of the interpretive approach that has been adopted in this research, it should be noted that in all probability analysis of the accounts of the Non Executive Directors convey some bias towards the researcher's own experience and understanding of the reality of any given situation. Additionally an interpretive approach does not treat the Non Executives' perceptions as something that could or should be measured in an exact way, but should instead be explored through detailed analysis of accounts from individual Non Executive Directors of their own understanding of their role. The organisation of this chapter is illustrated in figure 4.1 below.



**Figure 4.1: Outline Chapter 4**



**Source: Compiled by the Author**

In order to gauge the Non Executive’s ability to contribute to Boardroom proceedings, the first section of this chapter examines the Non Executive Directors’ role expectations through an exploration of the formal and informal interactions that constitute the Non Executives’ actual experience of their role, within the overall boardroom role set.

Building on section one, the second section of this chapter aims to provide an understanding of the Non Executive Director’s relationship with the Chief Executive Officer (CEO) and Chairman. The analysis examines how the roles of the CEO and Chairman were perceived by the Non Executive Directors to affect their own ability to contribute to boardroom events.

Section three draws on the analysis presented in the first two sections and is concerned with the Non Executive Directors' expectations of their roles, alongside emergent themes pertaining to the Non Executives' perceptions of their actual experience. Throughout, the analysis endeavours to draw out the implications of any perceived gap, between the Non Executive Directors' role expectations and their actual experience, in order to facilitate a better understanding of their actual behaviour in the boardroom, and its impact on their ability to influence boardroom events. Each section is followed by a summary of the central emergent sub themes.

#### **4.1 Section One: Role Set Interactions**

The Non Executive Directors who took part in the study had a number of perceived expectations about their interaction with others within their role set. The following section will examine the Non Executive Directors' subjective perceptions of the effect of the nuances of their role set upon their ability to make a contribution. Two types of interaction are identified: (1) formal interaction governed by the normative conventions shaped by members of the role set, and (2) individual interaction based on relationships with and perceptions of individual members of the role set. We can broadly define the role set for the Non Executive Director as those individuals working within the boardroom. Within this set there were considered to be four clear subgroups.

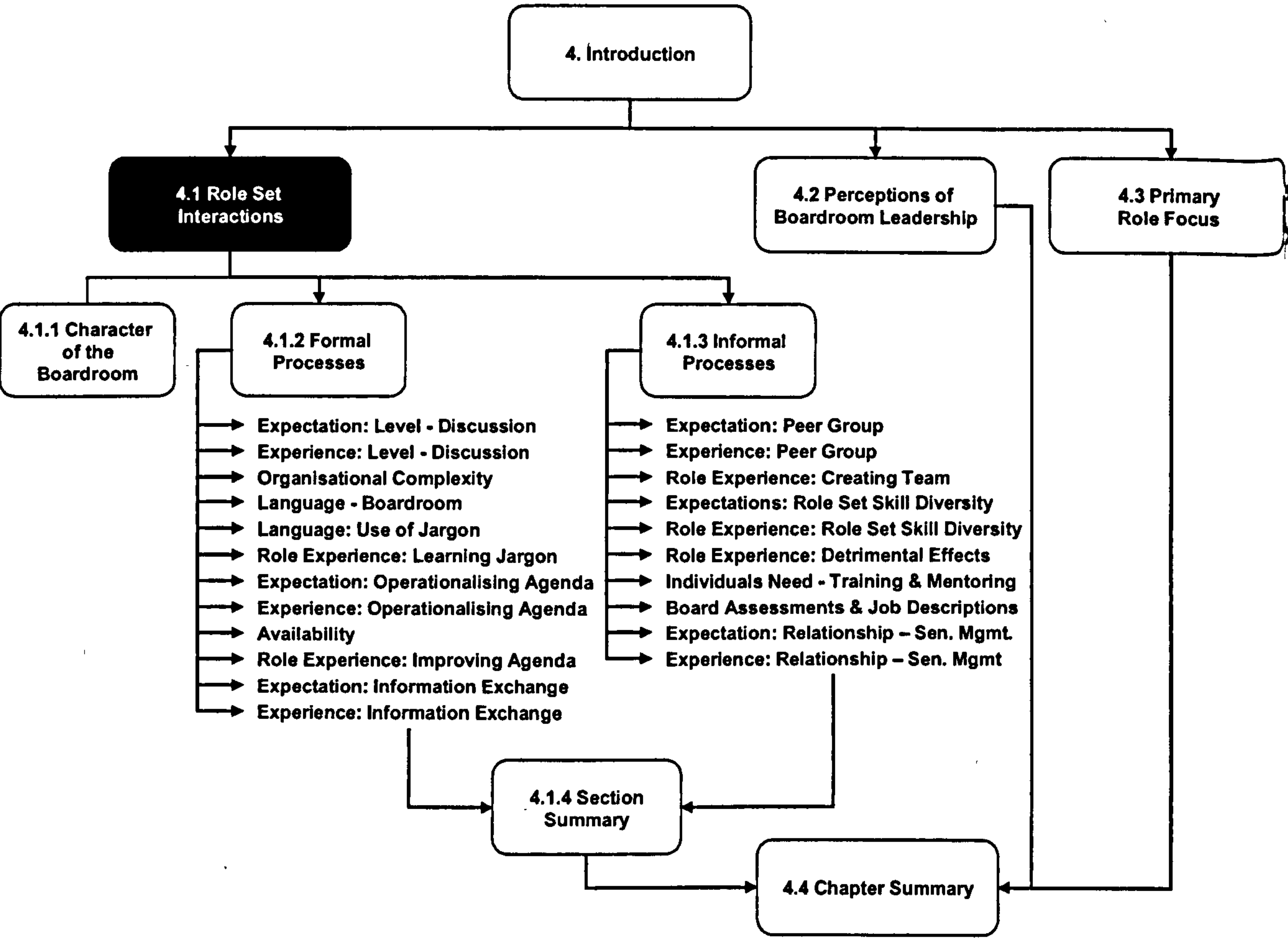
1. Peers (other non executives of the same rank)
2. Executive officers
3. CEO



## 4. Chairman

The latter two members of the role set will be examined here as part of the role set and then in more detail in the next section of this chapter. This section will examine the Non Executives’ emergent expectations of the role set, followed by the identification and analysis of their actual experience of the role within the set and its perceived effect on the Non Executives’ behaviour. The structure of this section is shown in figure 4.2.

Figure 4.2: Section Layout



Source: Compiled by the Author

#### 4.1.1 The Character of the Boardroom

Formal interactions are classified here as those governed by the formal processes of the board meeting. Non Executive Directors discussed their subjective perceptions of their expected role within this structure. A recurring theme during the interviews was the Non Executive Director's belief about the unique character of each board. This is captured in the following response:

*They're all completely different. Every board completely different, very unique, and some are social, some are almost anti-social, some pure business, others less so. So you know the board experience. It's not as homogenous as it might appear.*

**NED 1 Warren**

Despite this perception of the uniqueness of each board, the Non Executive Directors projected surprisingly uniform expectations of the interactions with and perceptions of, other members of their role set. Analysis of the research revealed that on some levels each board was seen as unique. However all boards are likely to have certain variables that make them different from all other boards, probably because of industry, location, size of company and, perhaps most importantly, the mix of individuals working in the boardroom. Despite this, it emerged from the data that most Non Executive Directors report the same kinds of fundamental challenges in terms of making a positive contribution to their boards, and also the same positive results from employing certain fundamental strategies for success. The Non Executive Directors' subjective perceptions of their relationships and interactions with others in the boardroom, starting with their formal interactions, will be discussed in detail in the subsequent pages.



## 4.1.2 Formal processes

### 4.1.2a Expectation: Level of Discussion

There was a strong belief amongst the Non Executive Directors who took part in the study that discussions in the boardroom should remain at a strategic level. - the informants broadly defined “strategic level” as including the discussion of corporate strategy, vision, profitability, risk and reputation. They did not perceive that it would be advantageous to the organisation for them to be drawn into the more technical (or managerial) areas of the business. They expected that it was the role of the Executive team and the CEO to deal with the everyday management of the business whilst it was their role to advise, guide and patrol management’s behaviour. The Non Executives in turn, they believed, should be taking a more long-term perspective on the health of the business. The following comments highlight their understanding of the formal level of discussion:

*They (management) have to run the business, it’s their responsibility to make the numbers.*

**NED 17 Vicky**

*You can run the risk of getting too current-event focused and that’s a problem, so you have to balance long- and short-term.*

**NED 1 Warren**

*It is not the role of the NED’s to run the company. That is plainly the responsibility of the CEO and his team.*

**NED 21 Billy**

#### **4.1.2b Experience: Level of Discussion**

The Non Executive Directors had an expectation that Board meetings should be used for strategic level discussions. It was felt that straying into more technical areas was likely to affect the Non Executives' ability to take an overarching perspective on the long-term business. However, close analysis of the data revealed that many Non Executives felt the Executive team and CEO did not always fully understand this concept. The following representative views illustrate the frustration that many Non Executives felt:

*The sense is not well enough implanted in the minds of the Chairman and the CEO and some of the Executive Directors that the role of a Board is different from the business of running the company and it needs to be structured accordingly and the responsibilities need to be divided more clearly and that when you're coming to the Board, you're not just extending an on-going piece of business which you think you've already come to a conclusion over, no, this is actually a rather important hurdle to be confronted. You have to go back a bit to some other first bases, re-establish the argument and proof the argument with the Board, because if you can't prove it with them, you're certainly not going to be able to prove it with stakeholders more generally.*

**NED 10 Phillip**

*The technical side consumes a far too big a proportion of all board meetings...and too little on actually influencing the business.*

**NED 4 Ray**

In contrast to the views of some Non Executive Directors, one individual made an interesting observation about the content of the boardroom agenda. He argued that there was little discussion of what was actually going on in the organisation which might lead to an inherent disconnect between the skills of those on the board and their application to the organisation:



*Well you see there were negotiations going on and that had a lot to do with politics and congress. While I didn't get particularly involved they at least said I should comment on some of the processes. But absent from that, certainly its understandable boards tend not to have agendas to talk about issues of what's going on.*

**NED 18 Joe**

It emerged that many Non Executives were surprised not to be asked to make a contribution when issues were discussed on which they might be considered to be experts. Some were too intimidated to intervene, others who were more confident (or motivated), pushed themselves forward despite not being asked. The study participants believed that this surprised the board, although they perceived that the Executive subsequently seemed pleased to receive the input. In the next excerpt one Non Executive describes his disappointment that his many skills had not been tapped into by any of the companies that he worked for:

*I have always been disappointed that boards have not used my skills as an international businessperson. I am hoping that in the future when I leave my role here, that such opportunities will arise but they have not as yet. The problem is that the market is controlled by the accountants, the lawyers and a few head-hunters. If you are not in with these guys then you don't get asked to take on the job.*

**NED 22 Harry**

Another described the experience of a colleague who, despite being hired for specific skills, was not made privy to what the organisation was trying to do:

*Let me just say, a former British Ambassador in \*\*\*\*\*, extremely able man, was hired when he retired, which is already a long time ago, by a major international investment bank, for his expertise. But then when senior members of the bank go off to that country in order to explore some of the new areas of possible investment and involvement, seeing all the top people, all of whom he knows personally, they don't actually ask him to go with them and he only discovers accidentally that they've gone.*

**NED 10 Phillip**

#### **4.1.2c Organisational Complexity**

Many of the Non Executives interviewed worked for large companies, often with a portfolio of businesses and thousands of employees. One Non Executive from a company with several million customers described her colleagues' understanding of the business in terms of a "patchwork quilt":

*So what you do is you created a bit of patchwork in the top left hand corner, that might be a licence in Italy, you then perhaps went down to Spain and jumped into bed with (name removed) and thought well, we'll do a deal here too, so there's lots of little mini deals all over the place. It was extremely difficult for other non executive directors to assess the strength of that business.*

**NED 7 Jane**

The extreme organisational complexity which is inherent in such large businesses, caused some study participants to adopt personal scenarios to enhance their understanding of the problems facing their organisations. For example, three of the participants described using their parents as an example of a customer who might find it difficult to deal with a particular issue. Interestingly, this was particularly common among the female respondents in the study. The following example exemplifies their approach:



*There was a tendency to look at things from individual experiences, you know, my granny has had a bad experience with her hip or something and therefore we extrapolate from that that all grannies have bad experiences with their hip.*

**NED 23 Rachel**

#### **4.1.2d The Language of the Boardroom**

A strongly emerging theme from this research was the Non Executive Directors' subjective perceptions of the effect of language in the boardroom. The general consensus was that the language used in board meetings tended to be almost entirely financial in nature. The study participants believed that financial language was used because it was viewed as a common denominator, which most Non Executives were expected to be able to understand and was transferable across different settings. The following three examples are of Non Executive Directors' own perceptions of the use of financial language in the boardroom:

*I am expected to understand the financials and usually end up on the finance committee. It is very difficult if you don't have a financial background to understand the working of the boardroom. It has always been skewed that way though or towards the lawyers, not so much marketing or logistics and interestingly that is where many companies fail. In fact that is where the company (I worked with) that went bankrupt fell down. They didn't understand the marketing logistics function.*

**NED 22 Harry**

*The language of the boardroom is very, very financial and because of this financial speak, unless they themselves had a financial background, they simply couldn't keep up with what was going on around them. If you haven't run a business and you don't have a financial background you might be at a disadvantage in a boardroom.*

**NED 11 Barry**

*I do think expediency is a factor because there are certain things that boards have to do and financials are actually the easiest. Because there's much more of a common denominator with financials than there are with other things. There is always a focus on financials. It's a language that generally boards can communicate in almost without regard to what the board members' background was because chances are they had some financial experience before they got there.*

**NED 1 Warren**

Another outcome emerging from the use of primarily financial language in the boardroom was its impact on discussions of “softer issues”, such as for example, labour relations, the environment and relationships with broader constituent groups. Although most of those who took part in the study identified strongly with the need to engage with a variety of stakeholders, at the same time they found it difficult to think of situations where such groups had been discussed in the boardroom. However, many believed that such issues were now forcing their way on to the agenda in a way that they had not seen in their careers until quite recently.

*The thing is that language of the boardroom is basically financial and I think what we are seeing is that the language is having to change and although we are not familiar with the language, we are now moving from the financial to the language of risk, and therefore you can start looking at something like reputation, not in terms of ethics and morality which most boards can't deal with. I've never heard of a moral debate in the boardroom. Not once. But I've certainly heard good debates on an analysis of risk to perhaps an audit committee and I think quite a lot of what they need and what boards need today to debate, is the reputation being one of them. They can bring that in, under a lingua franca that is common to all of them, I mean let me take a risk to reputation.*

**NED 7 Jane**

As was described in the previous section, many of the Non Executives discussed how the use of language in the boardroom was now evolving, possibly due to a more



diverse role set and certainly because of the more public nature of many companies. 'Risk and reputation', according to the Non Executives, was becoming a useful method of guiding debate which was more encompassing than the purely financial discussions, although these still, to a large extent, appear to dominate boardroom discussions.

#### **4.1.2e Language – The Use of Jargon**

A second area of concern for some of the Non Executives was the use of language or more specifically industry jargon in the boardroom. Many study participants described the first few board meetings that they attended with some companies as being almost incomprehensible. They described how many executives appeared to enjoy the use of industry acronyms, implying that some enjoyed the feeling of control or possibly superiority that could be gleaned from using, what was for the Non Executives, intimidating and difficult language.

*I think they would be very quiet (those who did not understand). You would get the stronger and more assertive people who would always, in any environment, always be more vocal, but it was exacerbated by their use of language.*

**NED 9 Geoff**

*Whatever business you are in, that industry has its own set of customs that you just assume that everyone around the table knows and that is a very bad assumption because if you are the non profit member you have no idea what turnover means, unless you have responsibility for sales. In London it's sales. Here it's how fast inventory moves and you have to know the difference between the two. Those are things that can be taught. It just takes a sensitivity.*

**NED 19 John**

*It's also a matter of language. And every profession, every type of business, has it's own jargon. And the military, or anywhere in government, they talk in acronyms. So it can be very difficult for the outsider going into those sorts of bodies and it can difficult for them, to understand.*

NED 13 Hanna

*We sometimes have a problem with individuals feeling like they can't contribute, because of the vocabulary. We do have a problem periodically with industry jargon and we have to catch ourselves and not talk in acronyms. We even had the board go as far as request a dictionary.*

NED 11 Barry

Learning to successfully interpret boardroom language was an issue for many of the Non Executives, especially for those coming from outside either the traditional business environment, or from industry sectors different from those in which they held boardroom positions.

#### **4.1.2f Role Experience: Learning the Jargon**

The last comment above touches on one of the most useful strategies for success in overcoming language problems. A number of Non Executives described board situations where they had asked for a dictionary or guide to be designed, which explained industry jargon in a way that they could understand. The use of this type of tool precluded the Non Executives from having to speak up and ask for terms to be clarified; one Non Executive described the use of a dictionary in a boardroom he worked in:



*We had a little dictionary of grocery industry terms. The book was available on the table. So if someone was giving a talk, rather than interrupt they would just look at the book. But you know it was like ten pages, and it just set out the language. Most importantly we were saying don't be embarrassed. Obviously someone didn't get it or we wouldn't have the ten pages already produced. So feel comfortable to use it.*

**NED 19 John**

#### **4.1.2g Expectation: Operationalising the Agenda**

Working through the agenda efficiently, particularly with regard to the value of people's time emerged as an important factor for all the Non Executives. As a result of this, some felt that there were advantages in putting time constraints on items on the agenda. The study participants believed that it should be clear, concise, and concentrate on strategic rather than operational issues. The view of the Non Executive in the next excerpt is typical of the general views of the study participants:

*I don't like, sort of, totally open-ended conversations without any, time discipline and so on without any prioritisations; I'm probably much more of a control freak as far as the formal board is concerned.*

**NED 15 Martin**

#### **4.1.2h Experience: Operationalising the Agenda**

The perceived misuse of meeting agendas emerged as a consistent theme across the interviews. In some cases this was perceived as just bad management. In others it was perceived as a highly effective mechanism for controlling outcomes. Some of these practices will be explored along with some of the strategies the Non

Executives have used to overcome them. One Non Executive explains the significance of the boardroom agenda as follows:

*The importance of the agenda is very often overlooked by people. They leave it to the Company Secretary. It's how you plan your agenda through the year. How you plan the agenda for the day to ensure you give the right amount of time to the discussion and also that you have the right papers in advance of the meeting.*

**NED 6 Laurence**

One issue that emerged on a number of occasions regarding the agenda was the use of time controls to keep the meeting moving forward. There was some division among the Non Executives about the use of agenda timing. Some study participants perceived that imposing a time limit on agenda items could be very divisive, because they found that it was sometimes used to stifle proper debate. This is the view expressed in the following quotes, which also suggest a perception that whoever is setting the agenda might deliberately be using agenda timing to ensure that some matters are passed through the board without adequate debate.

*The agenda shows time limits for the discussion of each item. We are expected to stick to these. It certainly means that we get through the agenda efficiently. But to be honest, there were times when I have wanted to speak up but haven't because of the time limits.*

**NED 16 Roberta**

*They time the agenda, what I have seen done by design, is that anything that is real controversial gets pushed to the end. So your plane is ready to leave so they can push something through. So you don't focus on it.*

**NED 3 Liza**



Conversely, many Non Executives discussed the frustration that they felt at having prolonged discussions during board meetings without any attempt to seek closure.

This is highlighted in the next two quotes:

*They prattle on. It's quite ill-disciplined and we're not quite so good at using mealtimes for actually pursuing business discussions, in my view.*

**NED 10 Phillip**

*They had an agenda, but you just sort of drifted around and around it, and so on. As the business has become bigger and more complicated, you cannot behave like that.*

**NED 15 Martin**

Emerging from the data was a strong dislike among many Non Executive Directors of 'time wasting'. It emerged as one of one of the most frustrating elements of the role for the majority of those who took part in the study. Non Executive Directors tend to perceive time as a precious commodity. Many of those who took part in the study worked as Non Executive Directors on multiple boards as well as having a full-time CEO role elsewhere.

*They spent the first hour haggling.....they were just waffling away and after about an hour I thought I would have a little tantrum. And I said this is absolutely outrageous this organisation is dying and you guys are sitting around doing nothing - you know I said something quite vulgar.*

**NED 4 Ray**

To a large extent the Non Executive Director's frustration appears to relate back to their overarching belief that the Board of Directors should not get involved with the routine running of the business. Many believed that the agenda needed to be set in such a way as to concentrate the minds of those present on the overarching strategy of the business and away from day to day managerial activities:

*It feels a bit to me like a kind of slightly enlarged meeting of the Group Executive Committee at which it happens to be the case that Non-Executive Directors are present, a kind of continuation of certain types of senior management discussion by other means.*

**NED 10 Phillip**

*The frustrating thing is that they want to talk about what colour the doors should be. You know, should they be painted blue or pink?*

**NED 9 Geoff**

#### **4.1.2i Availability**

Another problem that the Non Executive Directors identified in terms of meetings was that of ‘the phone board meeting’. It emerged that the recent pressures to improve governance practices in boards, has led to an increase both in the frequency and also the length of board meetings. As a result of this increase in time demand Non Executives were sometimes unable to be present for every meeting due to other engagements, this meant that they had to take part in the meeting via the telephone. The frustration of the Non Executives at having to deal with telephone interviews are exemplified in the next two excerpts:

*To me, you can do interim meetings that way for quick decisions and quick issues, but to have a meeting that way? I have not found that to be very valuable. We have to do a lot of it. We just have meetings on the telephone and you find that if you really want participation you won't get it. Well they're doing e-mail. You know they're doing e-mail, not concentrating on the meeting. And you can't see their body language.*

**NED 9 Geoff**

*Phone board meetings are inferior. You have a meeting and then you have one or two board members sitting on the conference call. That happens in all meetings. That's very common here. We discourage it; we do what we can to discourage it.*



*Since Sarbanes Oxley (2002) it'll happen more often. The legislation means more requirements for board meetings but one of the goals is, you want engaged, capable people and their schedules generally are not that flexible.*

**NED 1 Warren**

#### **4.1.2j Role Experience: Improving the Agenda**

One Non Executive Director described an approach that his board had put in place to help Directors get through the agenda and generally have more productive meetings by using boardroom facilitators:

*They (the facilitators) did the agendas and they did the follow-up memorandums and they'd schedule the next meeting, I would always have them call me a week before the meeting. We'd go through the agenda, we'd determine if there were follow up items we hadn't done yet, try to do it more quickly, and then make sure that all the other people who had follow up items weren't going to be embarrassed when they came to the meeting. We would call them and if they hadn't got it done, we'd try to help them work it through.*

**NED 9 Geoff**

Another Non Executive described how, having been faced with an incomprehensible and unmanageably long agenda before every meeting, she went to the CEO and insisted that there be a change to the way the agenda was presented prior to the board meeting:

*I said I would like the agenda changed I would like board meeting to happen as follows. I don't want a 3000-page bullet book that everybody reads and is then read to us again at the meeting. I mean they used to get where they were just ridiculous. So I said no more of that and then I said I want a contact to reach a decision and I want a priority. It should be like a political briefing book where you talk about "this is the issue, this is the background on the issue, this what we are doing, this is managements recommendation, this is the downside of it", that type of a structure.*

**NED 3 Liza**

#### **4.1.2k Expectation: Information Exchange**

Being provided with timely, clear and concise information was considered central to the Non Executive Directors' ability to effectively perform the role. There was an expectation from those who took part in the study that they would have access to whatever part of the business they deemed necessary to fulfil their Non Executive role, and that they should be free to talk to others within the organisation if they needed to do so. The study participants believed that, above all else, it was important that the CEO should not suppress information. This view is captured in the following remark:

*My personal feeling was that the board needed to know the bad as well as the good. They had a right to it, they should never be embarrassed by hearing from anyone other than the CEO in my case about something negative. If we have a lawsuit filed against us, for any reason, the first person that needs to know is fifteen individuals around the table and say, "If you have any thoughts on this let us know this is how we are managing it." If you are not sure, err on the part of sharing the information not hiding it.*

**NED 19 John**

Information exchange between the Non Executive Directors themselves was also considered to be very important. The analysis revealed that all the study participants felt that, in order to be an effective board, it was valuable from time to time to have meetings away from the CEO and the Executive Team. The Non Executives stressed the importance of feeling comfortable enough to discuss issues informally with other members when they needed. This is revealed in the remarks that follow:

*I'm a believer in having the non-executives as capable of meeting and discussing, issues separately where necessary.*

**NED 15 Martin**



*The board should have meetings just for the board members. With one another, away from management, and procedural enough so that it happens. You know it can't be one of those things where procrastination wins and they never get together. So it has to be rigid enough to do it.*

**NED 1 Warren**

*A healthy board needs to spend time away together, they need to feel comfortable, together, so that they can ask the difficult questions without feeling intimidated, without feeling, I am not worthy, I trust you guys to back me up.*

**NED 21 Billy**

In the next few sections we will examine the perceptions of the Non Executive Directors in terms of their expectations and experiences of their informal interactions with others in the Boardroom.

#### **4.1.2l Experience: Information Exchange**

Despite the fact that the Non Executive Directors perceived having free access to the senior management team as being very important, it emerged from the interviews that they often experienced difficulty in gaining free access to managers outside of boardroom proceedings. Some Non Executives even discussed feeling that they could not rely on other members of the executive team to speak up, even if the CEO was making a decision with which they fundamentally disagreed. In the next excerpt a Non Executive talks candidly about his fear that the board may not always hear the full argument on an issue from the management team:

*At the end of the day the CEO's the guy who's getting paid to make the decision, but you're never certain whether there are other alpha members of senior management who are also on this board who actually don't agree with that decision or would do it*

*a different way or think it's in the wrong order. Because you cannot have what seems to suggest a situation in which the CEO would say something to the board, the global board, and the CFO says well I don't agree, you would never hear that any board that had an operations or CFO would never say well the CEO would do that, but I actually wouldn't.*

**NED 18 Joe**

The issue of avoiding division in the boardroom was a common theme and this may partly explain the reluctance of other members of the management team to come forward. As the Non Executive in the next quote discusses, the management of the board will always try to seek a consensus.

*What the Chairman dreads is a split board, so the chair will always, always, always be trying to seek consensus, consolidation, unity amongst the board. That isn't really what you want, but I can see why a chair wants that. Nothing worse than a split board!*

**NED 7 Jane**

The Non Executives indicated that this need for consensus did not necessarily mean that there was no discussion, although interestingly discussion did not tend to take place in the boardroom, instead the study participants found that most debate went on before items were presented to the board officially. Issues would be debated first among the Senior Management team, and then through direct contact between the CEO, Chairman and individual board members prior to the actual meeting. The following quotes are typical of how the Non Executives perceived the way information was provided to them:

*The trick is that most things are chewed over before they reach the boardroom, and more fool any CEO who just tries to put things in at the last minute - it will serve him*



*right if it gets thrown out. Things need to be mulled over; you need information before you get into the Boardroom.*

**NED 8 Thomas**

*I think there's a blend between providing advance information and pre-selling it. I don't see anything wrong with pre-selling it. I think if you had to fail on completely avoiding pre-selling versus making sure they had sufficient information, I think you're better off to give them sufficient information and run the risk of pre-selling some things because of the complexity, because of the significance. I think erring on more rather than less up marked information and dialogue is probably valuable*

**NED 1 Warren**

*I think certainly the board needs to lead and support core values. I certainly agree with that. But it's, I think it is a bigger role than that and I do think that the board has to agree with management and visa versa on the fundamental strategies.*

**NED 11 Barry**

The underlying assumption of the Non Executive Directors was that when a board was being run correctly, an item would not succeed in getting to the formal board meeting unless the individual members of the board had first ratified it, in conjunction with informal negotiation with the senior management team, with the CEO and/or Chairman operating as the intermediary between the two groups.

### **4.1.3 Informal Processes**

#### **4.1.3a Expectations: The Peer Group**

The analysis revealed the individuals' expectations for their relationships with other Non Executive Directors within the peer group. Two words emerged as being

important in describing their perception of this relationship; these were ‘trust’ and ‘respect’. Their thoughts on this issue are presented in the following passages:

*You have to be, in a way, happy to be on a board and trust your colleagues is another thing. In a big business, you need sometimes to trust your colleagues because you can't know everything on everything. But if you know that another non-executive has perhaps looked at a certain part of the business and you can trust him, that gives you great comfort.*

**NED 6 Laurence**

*I think I give people good strategic advice. That's probably why they trust me. I think they trust me because they say I'm very straight.*

**NED 2 Anne**

*You need somebody. You do, you really need somebody who you can talk to and who you trust.*

**NED 7 Jane**

The Non Executive Directors believed it was imperative that they were able to communicate with each other and be honest about their assessment of the organisation and its management. The next example illustrates this point:

*It is important to like the people. So when I call they say "John how are you doing?" and I say "Fine Ruth. How are you? Well what's going on?" "Well, it's just an issue, and I may be way off track here. But I am starting with you and I am going to call another couple of the board members, but what do you think about such and such? You know I am concerned about this new strategy we have moved from A to C without going through B and that is a huge jump and I am not sure if this management team can keep their hands around this thing, but I don't want to be the one to just jump up and cause a rift unless there is a lot of support and I will be glad to take the lead. But what is your feeling on this?" That kind of interface can only be done if you like the people, you have to respect each other to call it what it is and to talk about it.*

**NED 19 John**



#### 4.1.3b Experience: The Peer Group

The Non Executive Directors believed that good working relationships between board members were crucial in enhancing their ability to contribute to board proceedings. Their perceptions of the depth of relationship required to enhance contribution varied, but there was general consensus that at a minimum one should trust and respect fellow board members, even if on a personal level you didn't like them particularly.

Despite the belief of the study participants that relationships played an important part in enhancing contribution, some Non Executive Directors talked about the isolation they felt. One individual in particular described how the Non Executives were actively discouraged from having contact away from the boardroom. This individual had a strong feeling that things were going very wrong for the company, but never took action because he was unable to seek the opinions of others in the group and felt too intimidated to stand alone:

*The inability of non-executive directors who rarely met together and never alone, in consolidating an exchange of views in a think tank kind of way, where people could have brought their three cents worth of experience to bear on an issue, suffice it to say that my experience at \*\*\*\*\* of my own contribution was that I felt both stifled by my lack of experience in the telecommunications sector and yet seized with what I thought was an intuitive grasp by the businesses going wrong. But in the latter respect it was extremely difficult to make a contribution there that was either recognised or listened to, or understood.*

**NED 10 Phillip**

This portrayal of isolation from others in the group is repeated by a number of Non Executives about their own boards, such as in the next illustration:

*There is obviously no-one, we never see each other, never talk together, there is no team in any way.*

**NED 4 Ray**

The study participants in the following examples explained their perception of why Non Executives found it so difficult to take a stand on issues without a feeling of support from the rest of the group:

*Well, you know, it is an old cliché but there are no stupid questions. But that is not true - there are a lot of stupid questions...you walk into the boardroom and you realise that the board is not meeting for your education and your edification. The first couple of times you get acquainted with the ways of the board, but after that the board meets on quality time and I fully understand that.*

**NED 18 Joe**

*The behavioural issues are very important. The technical issues are important but the behavioural issues are also very important, and the attitudinal ones and the ego comes into it, because if you look around the board of a big company these are all people who have all had success in their life and then they come into an often an unfamiliar environment. They will not get into anything where they are going to show themselves up, so ego becomes a major issue.*

**NED 4 Ray**

*Nobody would picture him (a NED) as shy or easily intimidated but what you do see is the intimidation does lead to this. Very few people will ask questions, because they don't want to be, you know, they have been successful in the real life, all of a sudden... You know it's amazing, having been a linguist and taught, I have always maintained how much harder it is to teach a second language to an adult - sounding stupid, mispronouncing, someone is going to laugh at you. The truth is, it is the same on the board, people won't ask a question.*

**NED 3 Liza**



Yet another Non Executive Director attested to what he perceived as the problem of oversized egos in the boardroom, which he felt needed to be “managed” if the board was to work together successfully:

*You know these boards don't suffer small egos. And generally, the people on the board are pretty demanding. Board egos are important. You have to manage that.*

**NED 1 Warren**

#### **4.1.3c Role Experience: Creating Team Togetherness**

Many of the Non Executives discussed the use of pre and post meeting dinners to allow board members to get to know each other better; these were used for discussion but also sometimes as a way of introducing promising talent from within the company. In this way the boards used these meetings for succession planning and to develop an understanding of the strength of the organisations' personnel.

*I mean there is a very constructive debate amongst non-executives, but it's not really amongst non-executives as a separate group, it's really with the executives as well. We have, I mean every time we have a board meeting, which as I've said is about eight times a year, we have a dinner the night before and we will always have something formally on the agenda over dinner, and often it is issues of succession and so on.*

**NED 15 Martin**

The study participants perceived that these meetings could be particularly useful if they were occasionally held away from the Executive Team, with only the Non Executives present. This allowed the Non Executives more freedom to speak freely without fear of retribution from management or of stepping on overly delicate egos:

*If you only do it when there's a crisis, you send a very clear signal when you are getting together, this must be a crisis, and you don't always want that.*

**NED 15 Martin**

*The previous one (Chairman) didn't like it when we went off on our own but he was a bit of a control freak and I do think that you have to have faith that you have done the right job and you know that you have an open line of communication. Nothing should take the execs by surprise but there are just certain things that are easier to talk about as a group without the execs present so I think that it is a mixture. I think business-wise you should always feel free to bring up the issues, claim ignorance.*

**NED 17 Vicky**

Others talked about the value they perceived that they had derived from having away days with their fellow board members.

*We also had away days at least once a year when we went away for the best part of a couple of days and thrashed things round in a more open ended fashion.*

**NED 10 Phillip**

Most study participants felt that their boards were not given enough opportunities for such gatherings. One Non Executive described the effect that a three-day session had had on one particular board that he worked with:

*We spent three full days together, and we decided to focus on trying to work out what exactly our role was, why we were there. I can tell you this is the best, by far the very best board that I have ever worked with. I can't understand why more of my boards don't do it but I think I might bring it up.*

**NED 18 Joe**

In contrast some Non Executives could not see the value of away days. In their opinion as long as everybody respected each other away days were not really necessary:

*I'm not convinced about all this bonding and away days. I think that's a bit overdone and comes from a consultancy route. I think you want to have directors who can naturally be respected and that is probably from their track record and abilities.*

**NED 6 Laurence**



Although the above comment represented a minority view among the study participants, there was general agreement that there was more to creating togetherness among board members than merely spending time together. Some Non Executives described it as putting together a dinner party or arranging a marriage. The study participants perceived that there needed to be some area of commonality among the individuals a “meeting of minds”. The motivational value of having a team that enjoy being together and feel valued is captured in the next excerpt:

*I felt so important and I was by far, career-timing-wise, the junior member, all the other guys were CEO's of major companies but every single person was valued for what they contribute, and he (the CEO) found a way, as a communication expert that he was, to make each board member feel valued and it's a typical thing that you see, you tend to do more, you step forward you volunteer, I shared.*

**NED 3 Liza**

#### **4.1.3d Expectations: Role Set Skill Diversity of the Peer Group**

The key way in which the Non Executive Directors perceived that the board could overcome personal gaps in individual knowledge was by having a diverse group of people working in the boardroom. The study participants all accepted that the requirements now being enforced upon them by Sarbanes Oxley (2002) in the USA and reports such as Higgs (2003) in the UK, as well as the effect of various recent corporate scandals, had forced them to pay much greater attention to a whole range of issues. They believed that individually it was unrealistic to expect a Non Executive Director to have a complete understanding of all the issues that a large organisation could face. The following excerpts capture the general sentiment:

*Having individuals on the board that represent different points of view, I think enhances your role. Diversity on the board makes it much more valuable to the*

*organisation. You know CEO's that get outside directors that are just like they are don't need them. What you need are people that are the opposite of what you are. So you need to have a diversified, almost a collective board.*

**NED 1 Warren**

*I guess in that kind of situation though you're forced also to really rely on other people, the people around you, to be sure that they actually have that experience to be able to back you up when you need it. And that seems to be something that's really important in the boardroom, having that kind of mix of people who trust each other enough to work together.*

**NED 2 Anne**

Despite the need for diversity, the Non Executive Directors perceived it as being very important to an individual to feel that others within the role set had achieved a similar status to their own, in order to gain the other group members' respect and trust. It emerged that before agreeing to join a board many Non Executives would ask who else was on the board then insist upon meeting current board members privately to try to assess the strength of the board and the relationships between members. The following quote summarises the perceptions of many of those who took part in the study:

*I think you want to have directors who can naturally be respected and that is probably from their track record and abilities. It doesn't mean to say they're all from the same business or necessarily known to each other. But they've got to have some achievements before you invite them. They've either run a good business and you know it's a good business because they are the CEO, or whatever, of that business, or they have a particular lead skill in something. You want to have people who are not secretive; you want them to speak their mind.*

**NED 6 Laurence**



#### **4.1.3e Role Experience: Role Set Skill Diversity of the Peer Group**

As the study participants had anticipated, many Non Executives found that it was difficult for them to understand all the issues facing the large organisations for which they worked. Many of the Non Executive Directors discussed the need for a more diverse skill set in the boardroom, particularly since the introduction of new legislation such as Sarbanes Oxley (2002) in the USA and Higgs (2003) in the UK. The study participants revealed that many boards were beginning to look outside of the corporate world for new Non Executive talent. One Non Executive Director discussed her role in creating a more diverse boardroom skill set:

*I try to get the boards that I am on to create a matrix of skills and competencies that aren't represented. For instance one board that I am on is a company that specialises in government contracting and it's very interesting because one of the things we need on the board is political influence. So, do we go out and look for a republican or a democrat? Yes we do, because if they can pick up a phone, we can have the governor pick up a phone, we are in the running for this project and we are a very good company and we'd like - I don't know who we kid, business is done with people you know, so those types of qualifications. Definitely I am seeing that.*

**NED 3 Liza**

Because of the amount of work and the sheer volume of data being passed to the Non Executive Directors for ratification, even those who felt competent in a certain area sometimes found that they became overwhelmed by the amount of detail they had to deal with. Because of this, as the study participants had anticipated, many Non Executive Directors discussed relying on others occasionally, to have adequately understood the issues being presented to them. The Non Executive Director in the following quote perceived herself to be very financially literate but

despite this, even in matters of a financial nature; she was sometimes forced to rely on the judgement of others because of the volume of work she was faced with.

*Without actually having the time to really sit down and think about something, to actually work out what's going on, you therefore have to rely sometimes on other people around you to understand things.*

**NED 2 Anne**

The Non Executives found that there was an important role for those directors with an “unconventional” background; one such individual described the role as that of the “idiot boy”, someone who could ask the questions those others with more experience simply passed by. The following is an example of how one Non Executive Director with a civil service background perceived his contribution to the boardroom debate:

*I mean, was it primarily for my expertise? If so, they haven't used it very much but do they feel they get their worth from me and my guess is yes, because I do typically play the role of looking at this sometimes like the idiot boy and asking the obvious but, in fact, very direct questions that no-one else has asked. Like here we've got all this elaborate risk management analysis to show that we've got our minds around Turnbull but I don't see anywhere listed in the risk analysis, the risk to us of carrying so much off balance sheet financing in the light of the fact that this is 'Oh! My God! You're absolutely right!' I try to major on being Mr Hard, difficult questions on the strategic issues that may need to be revisited because everybody else takes these issues for granted because they're so much wound into the system.*

**NED 10 Phillip**

Other Non Executive Directors talked about the fresh perspectives that individuals from very specific fields were able to offer to the boardroom debate, and how this enhanced discussions and provided confirmation, to those not expert in a particular field, that their “gut” reaction to an issue was correct. Such highly specific input



seemed to allow the Non Executives to move away from the purely financial debates discussed earlier in this section. The Non Executive in the next quote summarises the feelings of many regarding the use of experts from non or different business backgrounds when he describes one such fellow board member:

*I also work with \*\*\*\* on that board and he is a huge asset. You would not think that this old, little guy from the Middle East who learned his trade as a grocer would have such a great perspective on things, but he does. He understands about the customer and stakeholders and the importance of driving that in the board. He is a really useful sounding board for us.*

**NED 22 Harry**

In another instance a Non Executive described how having a highly capable individual with specific skills, helped him to overcome his own inhibitions about speaking out in the Boardroom. The Non Executive describes in the following example how his colleague changed the tone of the board:

*He proved to be very forceful and I was delighted because I very often found he was saying things which I was instinctively feeling but my voice on that would count for less than his because he had patently high level US corporate experience behind him which added weight to the points and he would pitch in some times quite forcefully saying "Looks to me like that we're just, whatever, and we can't go on doing this because..." and we were hearing things from him which I didn't recall hearing around the table until he joined.*

**NED 10 Phillip**

Others described how they felt obliged to sit quietly and listen, rather than contribute when they perceived that someone was more experienced in an issue than they themselves were:

*They were very bright and very experienced and all us, myself included, were learning from them and eh if you are in the presence of somebody who has a lot to contribute you have to listen more than you talk. And I do that on other boards that I*

*am involved with. The areas where I have perhaps more experience than the other board members, so I'd probably tend to talk a bit more there.*

**NED 20 Arnie**

*Some of our Non Executives come from a very different place, they are young and very, very smart and sometimes you have to just listen and try to learn from them.*

**NED 24 Wayne**

Although there was a strong consensus among the study participants, about the importance of such forceful individuals being present in the boardroom, some Non Executives did caution too much importance being placed in their contribution. They argued that although such forceful individuals could provide a useful input, it was also possible for their voices to drown out others, dominating the board to such an extent that useful contributions were lost from quieter individuals.

In the next excerpt a Non Executive describes his perception that sometimes overly assertive board members with skills not specific to others on the board inhibit conversation in the boardroom, through not only assertiveness, but also the use of unfamiliar language.

*I think they (the other NED's) would be very quiet. So, you would get the stronger and more assertive people would always in any environment, always be more vocal, but it was exacerbated by language.*

**NED 9 Geoff**

#### **4.1.3f Role Experience: Detrimental Effects of Role Set Skill Diversification**

Although some Non Executives reported the success of the shift towards greater skill diversity in the boardroom, others were more circumspect, despite a general



agreement amongst those who took part in the study of an expectation that the boardroom should be skill diverse. Many believed that the reality of the role meant that those without a strong business background often found the role problematic, at least in the first few years of transition. One Non Executive who came from a very senior civil service background described how his expectations of the role measured up to his actual experience:

*I had only been working for three months or more, I stepped into this absolute blood bath and I thought that British boards were, you know, ladylike and it was all lies and sleaze and all of that, and about three months after that I joined \*\*\*\*\*, vegetarians keep out, and there was blood all over the tiles. I was really amazed I was truly amazed.*

**NED 18 Joe**

A number of Non Executive Directors talked about the personalities of those who “make it” into the boardroom as often being very tough, these examples are indicative of their views:

*There are not a lot of the touchy feely kind of things and the people who got to the top often got there by harshness, by brutality, by single-minded focus and by not making mistakes.*

**NED 4 Ray**

*I must say that to get senior in almost any company it is not a nice progression, I don't think many people feel boy I am worthy. You know it's political. There are fewer and fewer jobs as you get near the top.*

**NED 17 Vicky**

Feelings of intimidation emerged as a common theme across all of the Non Executive Directors who took part in the study, but it was particularly evident amongst individuals from non-business backgrounds. In the following excerpt a

Non Executive Director discusses her perception of how this problem effects contribution in relation to a number of boards that she sits on:

*A lot of people feel that if they haven't quite got the confidence in the boardroom, they seem to forget all their knowledge as soon as they walk in the room, and not realise that actually they've got a lot of basic knowledge, which they can tap into. It's just in a different context, they just need reminding about it from time to time..., they're always nervous about asking questions especially if they know somebody and they've been invited on to the board by the person they know. It immediately limits the sort of range and depth of the questions that get asked and makes due diligence that much more difficult but I think it's a very important aspect because that's where Non Execs have a problem.*

**NED 13 Hanna**

Analysis of the research also revealed an interesting bi-product of skill diversification. Some Non Executives perceived that as a result of the need to use people with broader or different skills in the boardroom, the cost of employing Non Executives had increased. Many of the 'new' Non Executive Directors were not perceived as being independently wealthy and so required substantial reimbursement for their services. A previous "rule of thumb" had been that board members should probably already be wealthier than the CEO in order to avoid any conflict of interest between the different parties. This is described in the following quote:

*Trying to spend more time on boards is causing people to be on fewer boards, because of the heightened liabilities. Conversely, where the financial packages for boards didn't really matter for boards because everyone was a CEO making a zillion dollars, now they are looking at a broader base, so the compensation is starting to matter. There used to be an old dictum that said that if you don't earn more than the CEO then you shouldn't be sitting on his board so that you weren't unduly influenced.*

**NED 3 Liza**



#### 4.1.3g Individuals Need for Training and Mentoring

During the conversations with the study participants, many discussed their feelings of insecurity and lack of confidence particularly when faced with a group of individuals within the boardroom who they felt were somehow superior to them. The word “intimidation” came up on a number of occasions. This was particularly interesting as most of the interviewees who had spent their entire careers as leaders and people of prominence, almost unanimously felt they lacked the requisite training, particularly in terms of an understanding of the financial aspects of the organisation. As one prominent Non Executive succinctly put it, “you would be amazed at how intimidating it is” (NED 18 Joe).

The comments below illustrate the feelings of many of the Non Executives who participated in the study:

*There were not often subjects where I felt I could really add anything. If we were talking about strategy, maybe I could say something or if we were talking about people maybe I would say something. But when we were talking about money, the balance sheet and financial statements I could not read them of course. I fell into the background of the board. It became very, very difficult to offer suggestions. These things were almost always, that's almost always financial.*

NED 18 Joe

*I suppose, if I excuse myself here, it is well, you know, these guys must know what they're doing, you know, and they seem so convinced and so on. Who am I to say, this is heading for the rocks unless I've got a plumb line they don't have, but that I suppose that position is not peculiar.*

NED 10 Phillip

*I don't think my board understood what their responsibilities were, their legal responsibilities. They have a three million pound deficit and that's their responsibility and I don't think that they understood that really. And only because they hadn't been told, they just lack understanding and also previously no real training for NED's.*

NED 23 Rachel

Some study participants described how they had taken the initiative themselves to go out and get their own training, but even then were faced with some tension from the company as is described in the next excerpt:

*There is very little induction in any of them, you meet a few people, I have had to myself take the initiative and spend the day and look at how the accounts are done take a day to go and see a company and they are not very keen on that.*

NED 4 Ray

Some Non Executives described how their lack of confidence in the matters being presented to them, led them to feel too intimidated to speak out, or to ask for help or advice from others in the boardroom:

*I was persuaded that I didn't understand their business, and I rather wish now that I'd perhaps consolidated a bit more with other non-executive directors on the board and perhaps talked a bit more sense with them. They certainly weren't stupid and I think everybody had their own misgivings about strategy... I couldn't believe how silently everybody sat.*

NED 7 Jane

For many there was concern about where they should go for guidance, there is no professional body for the Non Executive Director. The UK's Institute of Directors was perceived by the British Non Executives as existing for the benefit of Executive board members. The study participants felt that they had no one to turn to when it



came to difficult dilemmas. Many hoped that they would be able to get guidance from other members of the board, and use them as sounding boards when they felt unhappy about something. However when talking about instances of actual behaviour on a number of boards, it became clear that the reality was that off-the-record conversations and telephone calls between Non Executives or between Non Executives and Managers were not generally encouraged by the CEO or Chairman.

*I think unless you seriously address the training, experience and indeed the resources many, many NED's made this point to me, and I would make it to you, which is that as a Non-Executive Director you do not have the resources at your disposal. You don't have accountants, lawyers, auditors, HR professionals. So that when as you sit with your remuneration committee hat on and somebody blinds you with science... Some people now are saying well, thank you very much, that's incredibly interesting but I now want to go and talk to my old 'mucker' at Hayes and find out what they think about this scheme.*

**NED 7 Jane**

Although there was a general perception on the part of the Non Executives that there was a need for more training and advice to be made available to them, some study participants also highlighted that in addition to a lack of sources for such services, there was also a perception that it was difficult to teach the kind of skills that the Non Executives required. Further, the study participants argued that those companies that were offering training were not always equipped with personnel who had the requisite experience to understand the issues facing Non Executives working in such complex environments:

*We've been talking about training and things like that. But actually, at the end of the day when you go out and research what is there, and you suddenly think, you know*

*more on this than those people and how are you going to train people to have the confidence to challenge. It's a difficult one to get right.*

**NED 13 Hanna**

The Non Executives discussed how they believed that much of their skill was developed through working with other Non Executives within different boards, through watching companies develop strategies and deal with various issues associated with running a large complex business. However, some study participants warned of the risk of using networks of board experience as the only source of information on good business practice, as is highlighted in the next quotation:

*There's no advice and counsel for non-executive directors and often what they do when they get together is actually spread bad practice - they don't spread good practice. "I'll tell you what old chap, I'll tell you what I've done in the past, and it's worked a treat" and you hear them spreading bad practice.*

**NED 7 Jane**

#### **4.1.3h Board Assessments and Job Descriptions**

It emerged from the research that very few of the study participants had ever been given any kind of job description during their time as a Non Executive Director; this was particularly surprising as all those that were questioned felt it would be a useful tool in fulfilling their roles.

*I have never gotten a job description; I mean what is the role? What's your expectation, meetings and attendances? And then what you do with those things? No, I don't think it is as clear as it could be.*

**NED 3 Liza**



*I mean it is good governance, like I think, the chairman and the chief executive should define who does what between the two, that doesn't happen very often. Having done it, you'd probably put it in the bottom right hand drawer and never look at it again, but I think it is, and it does pay, particularly when one or other or both are new, I think it does pay to have the discipline to do that.*

**NED 15 Martin**

Others study participants talked about the general lack of feedback on their performance as a Non Executive which left them feeling unsure about themselves, not knowing if their performance was satisfactory or if they needed to seek further training. The following quotes highlight the problem faced by the Non Executives in trying to measure their own performance:

*It's like trying to get feedback, you know (you) go along and see the Chief Executive. "Well how am I doing?" "Oh! Absolutely fantastic! We're so pleased with you." "Thank you. Could I actually have something a bit more tangible than that?" "Very nice." Then you start to think, 'Oh well! OK! I won't ask any more questions.' You just end up having a general chat. But it's very difficult. I think people are not very good at giving feedback.*

**NED 13 Hanna**

*Well in the self-assessment we don't ask them to share the results with us. We ask them to fill out this form, then review it themselves, and out of that determine any actions required to improve their performance. The board assessment though is public, the performance of the board as a team. 'Public' meaning we compile the data, we review it, and we talk about what changes need to be made to improve the performance of the board.*

**NED 11 Barry**

#### **4.1.3i Expectation: Relationships with the Senior Management Team**

The relationship between the Non Executive Director and members of the Senior Management team other than the CEO provided a source of much debate for those who took part in the study; the general perception was that it was crucial to have a good relationship with Management. The Non Executives felt that having free access to managers was very important and provided them with a necessary link into the organisational structure; a Non Executive describes why she perceived that the relationship was important in the next example:

*I think to question inappropriate behaviour. I also feel that a board member should be eyes and ears I think for management other than the CEO. It should be an alternative funnel or an alternative source of contact that shareholders or employees have that is not through their own bosses.*

**NED 3 Liza**

#### **4.1.3j Experience: Relationships with the Senior Management**

Those who participated in the study were asked about their relationships within the organisation, most specifically with Executives other than the CEO and Chairman. The Non Executives believed that part of their role was to be accessible to others within the organisation. The study participants felt this was useful for two reasons:

1. In case of a problem that an individual could not bring directly to the CEO (such as mismanagement by the Chief Executive).
2. To provide the individual Non Executive with valuable insight into the organisation.



One Non Executive described the circumstances leading to the firing of the company Chairman and CEO, following a series of internal blunders that came to light after the Non Executive had been approached privately by the Senior Management team.

*I was on my way back from London and my wife rang me and said, "The Executive Directors are here." I said, "Why?" "They said they've come to see you en masse." It was the Executives that came to me and said, "We have no trust in the Chairman"; they'd lost their faith. Anyhow, the next day the Non Executives met because I mean really what the Executive Directors were saying was that it's up to you guys now. And we have to hear that that particular Chairman and CEO are out by the end of the afternoon.*

**NED 6 Laurence**

The Non Executives believed that because of the limited time they themselves spent within the organisation, strong linkages to managers, although sometimes perceived as divisive, could be used to reveal invaluable insights into the health, strategy and commitment of the organisation and its members. However, despite the perceived advantages of such linkages, they emerged as being quite rare. Interviews with the study participants revealed that there was a perceived reluctance within the Executive to provide wider access to the organisation. Some of the study participants suggested that there was a need for the Board to have its own staff, to facilitate wider access to information and more formalised links into the organisation. This is highlighted in the following quote:

*There is great advantage in having a board where there are individuals present behind the scenes on a full-time basis to ensure that it runs smoothly and that everybody has the information that they actually need in an appropriate format. This can greatly reduce the tension between executive and outside members.*

**NED 24 Wayne**

Most of the study participants said that they had sometimes been suspicious that the Chief Financial Officer (CFO), for example, might have a different opinion on a given subject from that of the CEO. However, the Non Executives felt that the pressure to have unity would typically prevent the CFO from speaking out. When the study participants were asked if they would speak to the CFO outside the boardroom, most felt that the CEO would be unhappy about this. Although some felt it was a matter they might bring up with the Chairman, many were obviously intimidated at the prospect. Other study participants discussed their understanding that it was taboo for them to speak to Executives because of the discomfort this appeared to create for the CEO who seemed to feel very threatened at the prospect.

Also emerging from the research was the Non Executives' perception that sometimes the Executive Board members could feel threatened by the presence of powerful and well-informed Non Executive Directors, the Non Executives perceived that it was sometimes difficult to make suggestions to the Executive team without being perceived as arrogant or "trying to teach them their own business". In the following excerpt a Non Executive describes this phenomenon and offers a strategy to overcome the problem:

*It is more a function of how the individual is respected by the senior executives and the other board members than what they know. It sounds like they are saying you should change your industry to the way my industry is, just inherently better, that will almost always have a push back mentality about it. If the person says "There is a lot I don't know about your industry, but I have watched in our similar industry as a major change is taking place and I just want you to be aware of it and if anyone in the management ranks would like to come to my company, you can meet with the people and I could bring the two parties together who might benefit from a change*



*that is happening perhaps in our industry that won't be your industry for four or five years but you could be on the ground floor with it. I am just making the opportunity - if you don't want the opportunity that is fine, if you do, I can set that up for you." Now that is a very non-threatening approach saying I am trying to help you here but it is up to you.*

**NED 19 John**

*They don't quite like it they are not quite sure what you are going to say. They are not sure if you are going to upset the CEO or harass them or come back and tell tales, and nobody is quite sure about the NEDs.*

**NED 4 Ray**

In the next section the Non Executives' perceptions of why there is sometimes little communication between them and the Senior Management team will be examined more closely.

#### **4.1.4 Summary Section One**

In summary, the emerging outcomes of the analysis of this theme would suggest that Non Executive Directors do not perceive that they are being properly utilised by their boards. Their view is that boards do not seem to be providing them with the tools that are necessary for Non Executive Directors to fulfil their roles effectively.

Feelings of insecurity and intimidation, possibly due to lack of a clear role understanding and an inability to seek advice and guidance appear to be common amongst many Non Executives. Study participants did not feel comfortable about speaking out when they were unsure about issues or did not understand; they feared

being ridiculed by the wider group. The Non Executives perceived that the CEO might attempt to limit information and access to the organisation in order to maintain control of individuals in the boardroom.

The following key sub themes emerged from this category:

1. The Non Executives perceived that all boards were unique; however the analysis reveals that despite their uniqueness many issues are common.
2. The planning and operation of board meetings in terms of the use of agendas did not meet with the Non Executives' expectations. For example, meeting agendas often concentrated on operational rather than strategic issues.
3. Time was important to the Non Executives. Many were frustrated by perceived time wasting during board meetings. Some study participants believed that this could be overcome by using timed agendas, other study participants argued that agenda timing could be used to stifle debate and control outcomes.
4. Some study participants believed that boardroom "staff" might help Non Executives to operate more efficiently.
5. The Non Executives perceived that agenda information was often badly presented before meetings. They perceived that efforts to improve the quality of information presented to them would enhance their efficiency.
6. Because the Non Executives report that they only spent limited time with the organisation, internal linkages were perceived by the study participants to be an effective way to gain useful insight into the health, strategy and



commitment of the organisation. However, they perceived that the CEO and Chairman of the board might discourage linkages with internal managers.

7. The study participants perceived that it was important to feel comfortable and confident enough to confide in other board members, they believed that this was achieved by spending time in each other's company. Meetings held away from the Executive team from time to time, facilitated the creation of an atmosphere where the Non Executives could develop close relationships. However, the study participants perceived that the CEO sometimes discouraged such relationships.
8. The study participants perceived that the Executive team sometimes felt threatened or even insulted by their suggestions. The Non Executives perceived that it was important to frame suggestions in a non-confrontational style.
9. There was general agreement amongst the study participants that skill diversity in the boardroom was a positive thing. However, the Non Executives perceived that it was important that others around them should possess similar status in terms of their level of experience and external reputation.
10. It was perceived by the study participants as important for board members to like each other, but also to have the right mix of individuals; some described it as comparable to putting together a dinner party.
11. The Non Executives perceived that it was important to trust and respect their Non Executive colleagues. They needed to feel certain that they could rely on them to understand issues, when they themselves did not.

12. Many Non Executives described feeling isolated on the board with nobody to turn to when they had a problem.
13. The language of the boardroom was perceived by the study participants to almost always be financial. Financial language was perceived to limit the nature of debate and exclude softer issues such as corporate responsibility. However the study participants perceived that the language of 'risk to reputation' was becoming more widespread. The Non Executives believed that using risk to reputation was more inclusive of softer issues.
14. Some study participants reported that it was sometimes difficult to understand complex financial issues that were presented to them. In such cases the Non Executives relied heavily on the assumption that others in the boardroom would understand for them.
15. Industry-specific language and acronyms were also a problem for many Non Executives, particularly in light of new governance standards, which suggest that Non Executives should be from outside of the organisation's specific industry. Some individuals perceived that others used this language as a form of power over them.
16. Many Non Executives felt embarrassed about speaking out when they did not understand. Providing a dictionary of terms at the table was considered one good way to overcome this problem.
17. Job Descriptions and proper inductions were rarely provided to new Non Executives. This left them feeling unclear about what was expected of them within the group.



18. Many Non Executives perceived that they needed more training; the study participants reported that little training was made available by their organisations and some Non Executive therefore made private arrangements. However, there was a general perception among the study participants that not enough training organisations were available, and of those that were, some were not always equipped to deal with the Non Executives’ unique needs.
19. Most Non Executives were used to being in charge of businesses in the role of CEO and appeared to find it frustrating to function as part of a team where they were not the alpha player and had less control of events.
20. The Non Executives did not perceive that they received adequate feedback on their performance. Those Boards that did carry out evaluations tended to use “self evaluation” which the study participants believed was not really useful in helping them understand how others perceived their performance.

Table 4.1 below encapsulates the emerging themes from this section of the analysis:

**Table 4.1 Summary of Emerging Themes Section One**

Theme	Expectation	Experience
Formal processes		Commonly operationally/technically focused
Level of Discussion	Strategic	Doesn't utilise NED's individual capabilities Important discussions often take place away from boardroom
Operationalising the Agenda	Clear and concise, possibly timed	Information overload Timing of agenda may stifle debate Timing of agenda may be used to manipulation outcomes Frustration at misuse of time
Information Exchange	Open transfer of information Important to meet away from Executives sometimes Need to spend time as group	Information not always freely available Controlled by CEO Suspicion that information not always made available or accurate Difficult to administer because CEO's rarely endorse Pre meeting dinners, other contact often inhibited by CEO
Organisational Complexity	Use diverse skill set to manage complexity	Personal scenarios used to understand larger issues Resort to financial language as common denominator Rely on others to understand some issues
The Language of the Boardroom	Financial language viewed as a common denominator	Even individuals with financial background report some difficulty in understanding complex financial issues Soft issues such as corporate responsibility more difficult to discuss because of financial language Language may be evolving towards that of risk and reputation
Language – the use of jargon	Different industries have their own jargon	Executives enjoy using jargon and may use it as power NED's don't always understand and are intimidated by jargon
Availability	New governance requirements necessitate more meetings.	Some NED's participate by phone due to unavailability NED's cannot "read" individuals when they are on the phone
Informal processes		
The peer group	Trust, respect and communication are vital	Afraid to speak out for fear of ridicule by group
Creating team togetherness	Important to feel part of cohesive group	Feelings of isolation discouraged from talking to one another outside of meetings

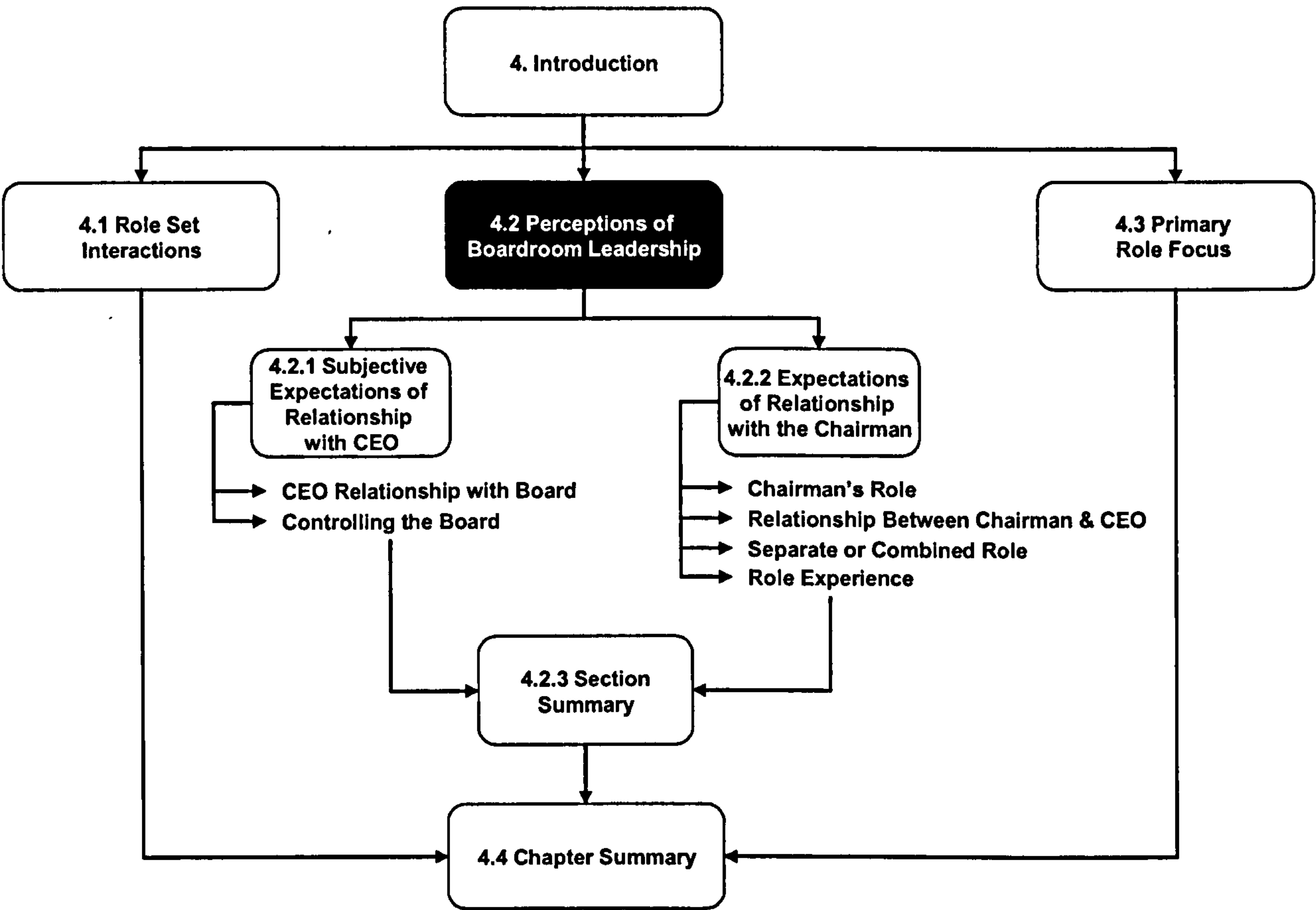


Relationships with senior management	Provide important linkage into organisation	Would like more away days Pre meeting dinners with Executive present Discouraged or controlled by CEO NEDs perceived as arrogant and trying to tell the Executives their “business”
Capabilities Skill diversity in the role set	Fill knowledge gaps through diverse skill set	Peer respect important Provide fresh perspective May help others find their voice
Detrimental effects of role set diversification	Boards should have diverse role set Need more training	May not have requisite skills Leads to over-reliance on ability of others to understand May feel intimidated by board culture Pushing up cost of NED’s
Training/mentori ng	Support and advice from fellow NED’s	Feelings of intimidation and inadequacy due to: Insufficient training Nobody to talk to Dispense bad practice
Board assessments and job description	Inadequate clarity over role requirements	No job descriptions Poor feedback

Source: Compiled by the Author

4.2 Section Two: Perceptions of Boardroom Leadership

Figure 4.3 Section Layout



Source: Compiled by the Author

4.2.1 Subjective Expectations of Relationship with Chief Executive Officer

Section two of this analysis will examine the Non Executive Directors’ relationship with the Chief Executive Officer (CEO) and the Chairman of the Board. When reading the analysis of this section it is important to bear in mind that the study participants tended to occupy different boardroom roles across a number of different organisations. The Non Executive Directors were able to provide accounts of their



experiences on multiple boards. For example it was not uncommon for a participant in the study to hold, at any one time, a position as a CEO in one company, Chairman in another and two or three Non Executive positions. This, it is argued, gave these individual Non Executives an extra dimension in their subjectivity. When discussing for example their perceptions of the behaviour of the CEO, they were drawn to mentally assess their own behaviours within that same role.

Many of the Non Executives had also experienced different types of boards, from those with a separate CEO and Chairman to those with the two roles embodied in one individual. They described situations where the Chairman had effectively been running the company and situations where the CEO ruled without question or influence from the board. They even described situations where the personalities of the individuals in the two roles had, in their opinion, merged to the point where there was no room for the contribution of the Non Executive team. Consequently, there now follows a discussion of the emerging themes around the Non Executive Directors' perceptions of the effect of the CEO and Chairman on their role and contribution.

#### **4.2.1.1 Chief Executive Officer's Relationship with the Board**

As the Non Executives talked about their expectations of their relationship with the Chief Executive it quickly became clear that this was, in their view, a highly complex relationship and relied not only on the skill and personality of the CEO but also the inter-relationships with the Chairman and the Non Executives. The

personalities and skills that each brought into the boardroom was perceived to have a profound effect on the resulting role and contribution of the Board members as a role set. Many used familial terms when describing the relationship between the Board and the CEO, father and child, husband and wife, the dinner party. One Non Executive went so far as to describe it as a polygamous marriage with the CEO - as the husband trying to keep his many wives happy and under control.

Some Non Executives talked about the perceived importance of having a CEO who looked up to and respected the Non Executive Directors. The study participants felt that it was generally advantageous for the Non Executives (father figure) to be older than the CEO. The study participants believed that a CEO would find it easier to take advice from those they perceived as having more experience. One Non Executive described her own experience in the role of a CEO herself:

*I had some NED's but they weren't independent and they weren't older than I was, and they hadn't been there and done it before. And we made a lot of mistakes because all of us were learning. And if I ever had it to do over again the first thing I'd do is get some really experienced NED's who'd already done a buy-out of a business, run a big food company, who had really relevant experience.... It's ridiculous; you don't want anybody learning, I was learning, I needed somebody older who knows the ropes.*

**NED 2 Anne**

Another Non Executive takes this point further as he tries to explain the importance of the CEO appreciating the value of the advice and guidance that he can acquire from the Non Executive team:



*Unless the CEO has sufficient confidence in their ability to both advise the board and yet be supervised by the board, you have a difficult relationship there, and so depending upon their views, their compatibility, their self esteem, you may or may not have the ability to provide some of that education and some of that effort.*

**NED 9 Geoff**

#### **4.2.1.1a Character**

Emerging from the data were very strong perceptions from the Non Executives about the effect of character on the dynamics of the role set, particularly the character of the Chief Executive. Even though many of those who took part in the study were either currently or previously had been Chief Executives in their own right, they were not as a body very complimentary about the characteristics of the average CEO. The words “aggressive”, “arrogant” and “robust” were commonly used by the Non Executives to describe their perceptions of the characteristics of the individuals in the Chief Executive’s role. In the following excerpts, three Non Executives describe their personal perceptions of the Chief Executives with whom they have been involved:

*CEO’s, we learn the skill of making things that stink smell good. That’s part of what we are paid for. On the darkest day you say “But our strategy is right, we are committed to it we have got all the right people in place.*

**NED 19 John**

*CEO’s are very arrogant, they are very aggressive, they have all the personality traits which would make them in fact lousy board members and yet everyone looks for CEO’s instead of being a board member where you are consensus-building. A CEO is supposed to be visionary, aggressive, all the things that if you are on a board there is and inherent disconnect.*

**NED 3 Liza**

*By the time they get to the CEO position, they tend to be quite, what's the word for it, robust, and they want to get their own way and they're determined to do so and you wouldn't want them there if they didn't.*

**NED 7 Jane**

Although many of the Non Executives discussed the negative effects of overly domineering Chief Executives, it also emerged from the data that other personality traits could have a negative effect on the ability of the Non Executives to make a useful contribution. For example one Non Executive described a highly charismatic CEO who was so persuasive in his arguments that nobody, including herself, ever questioned his actions. She describes this in her own words in the following passage:

*Our previous CEO was an American, a very charismatic guy and consequently people didn't question him. I was talking to some execs afterwards and they said "Why didn't you say anything?" There are always difficult situations but it is your responsibility.*

**NED 17 Vicky**

Another Non Executive described her experience with a Chief Executive, who she perceived tried to intimidate the board into not asking questions. In the following excerpt she describes his reaction when one of her colleagues asked a question about the effect on the company's workforce, of a proposal that the Executive team considered a "done deal":



*(He) was irritated by the question, and even more irritated by the reply. The reply was that we didn't know, he didn't know, what the effect would be on unemployment. He hadn't even thought it was relevant. Actually the effect on unemployment was horrendous in that area and so what he did at that point unilaterally, not the board, was decide to put the whole bloody thing on the back burner, so he didn't close those things, what we did, was two years later, was to sell it.*

**NED 7 Jane**

The study participants discussed their perception that the CEO needed to maintain control over the boardroom group and the information the group received. The Non Executives felt that there tended to be a certain amount of insecurity embodied in the very nature of the Chief Executive's role. The study participants also reported their perception that some CEO's were predisposed to certain controlling personality traits, which might lead such a CEO to adopt a controlling style with the board members. The vignettes provided by Non Executive Directors in the following excerpts provide an interesting insight into the common perceptions of the Non Executives about the CEO's they worked with:

*Don't you dare get in contact with a board member, oh they'll kill 'em, and I don't think that is right at all as a matter of fact I mentioned to the CEO ...I said you know I want to spend a day a month on site so that management has an alternative, "Oh! I really need to think about that." And I wanted to say well you don't really need to think about it, I need to think if I am going to listen to you because basically I can, you know, I don't want to pull rank, I don't want to do that.*

**NED 3 Liza**

*What are you going to do, if you got together with a couple of the other guys and you had a dinner and (CEO) found out about that, he'd have gone ballistic. He would have called you all in, one by one, and said did you have any concerns that he was unaware of, and he'd have made you feel absolutely frightful, I'm pretty*

*certain....You wouldn't have dared speak out and I think all of us were terrified of him.*

**NED 7 Jane**

The Non Executives often described scenarios where they were apparently paralysed into inaction by the personality of the Chief Executive. Almost all of those who took part in the study discussed times when they had not contributed in the boardroom because of feelings of inadequacy, despite feeling strongly about an issue.

#### **4.2.1.1b Pressure**

As the research progressed some of the reasons for the perceived behaviour of the CEO began to emerge. One Non Executive went to some lengths to try to explain why he perceived CEO's often feel the need to be in complete control of the board, to the extent where they may choose not to seek help even when they desperately need it:

*Here you have a secret ballot and a CEO with a job that's either going to prove him or finish him. He's put in some office like a rock, and he inherits this huge jury and the jury votes on him and he's got theoretically hundreds of thousands of shareholders but really it's the vast institutions sitting on billions of dollars. In a community full of hotshot, really smart analysts who are constantly ranking you, you are told that every six months you've got to produce. The pressure is that you'd better look back and everybody else's figures had better be worse than yours and certainly better than the last set of figures and in fact you're meant to slightly indicate what you expect those figures to be and then by God they had better be good. The pressure is huge to create big figures.*

**NED 18 Joe**

The Non Executives described the importance of being able to “gently” push the CEO, they perceived that CEO's tended to focus on the positive parts of their



performance whilst glossing over any problems that they might be having, as is described in the next example:

*Very often Chief Executives rather want to talk about the past, particularly if it's rather good. But you've got to push them forward, "That's fine! Great deal! What are we doing to repeat it?"*

**NED 6 Laurence**

It emerged from the data that the Non Executives perceived the need to provide the CEO with an environment where he would feel supported and able to come forward with a problem whenever it was necessary. Further analysis of this issue revealed that the Non Executives found this to be a very challenging issue for them to balance within their personal understanding of the role. They perceived that it was very difficult to reach a balance between being viewed as supportive and at the same time acting as the "hirer and firer". The next three comments exemplified the perceptions of many of those who took part in the study:

*I really think, for survival's sake, the smart CEO will look at a longer term. They'll look at the community too; they'll look at society. The smart ones will do that and be able to explain that to boards and have boards support them. I know it's not easy when you have stock out there and you have investors wanting you to create more value, all the time, more value.*

**NED 12 Ruben**

*In a way one role in the board is to stabilise things and to try and save the CEO even though you are sitting there almost like a congressional committee saying "Well, go figure." To give the CEO a sense of support almost a kind of buffer a safe place for them to sit.*

**NED 18 Joe**

*What is written in the press from day to day is here today and gone tomorrow; we have to keep paying attention to the underlying vectors for the success of this business.*

**NED 10 Phillip**

The Non Executives believed it was very important that there was clarity in their role and also that of the Chief Executive. Intriguingly though, they also perceived there was routinely a lack of communication concerning what was expected of each individual within the team. This is illustrated in the next remark:

*It's a very delicate issue, at least it's been my experience, and it's been a very delicate issue in terms of the relationship between the CEO and the board and there's got to be some communication on what's expected, and it really depends on the quality of the relationship.*

**NED 9 Geoff**

#### **4.2.1.2 Controlling the Board**

##### **4.2.1.2a Meetings**

There was a great deal of debate among interviewees about the effect on the board and particularly the relationship with the CEO of so-called “informal sessions”, where the Board of Directors meets away from the Chief Executive. Some study participants felt that the use of informal meetings was divisive and made the CEO feel extremely uncomfortable, particularly if such meetings were not planned in advance. This in turn, the Non Executives perceived, could lead to poor or short-term performance within the organisation. Because the CEO might become inclined to seek short-term profits at the expense of the long-term health of the company in order to protect his job, rather than looking at the long-term stability of the



organisation. The Non Executives talked at length about the importance of a “safe haven” where the CEO could make long-term decisions without the ever-looming threat of the City hanging over him.

It emerged that some study participants perceived that because Non Executives had the same responsibilities as the full time Executive Board members, sessions should always be open to all members. Others study participants felt that it was important for the Non Executives to meet away from the full-time Executive members on a regular but planned basis, particularly when discussing succession planning. There was, however, general agreement among the Non Executives that the CEO would always try to discourage meetings where he was not present. In the next excerpt a Non Executive who also works as a CEO describes his feelings about the Non Executive Directors in “his” boardroom.

*You can't have Non Executive people having the opportunity to swoop in, you know, four, six, seven times a year, make decisions about strategy and then not be held accountable for the execution or the success or failure of those strategies. It just cannot be.*

**NED 11 Barry**

Although formal meetings without the presence of the CEO were reported as not often encouraged, pre meeting dinners were very common but usually with either the CEO and/or Chairman in attendance. These were described by the study participants as less formal than the board meeting and were designed to allow more time to discuss matters, although interestingly these dinners often still had a formal agenda.

*We used to meet as Non Executives before every dinner before the board meeting.  
The CEO never liked it, but there is a very strong argument that you should do that.*

**NED 15 Martin**

#### **4.2.1.2b Chief Executives' Appointment Preferences**

Emerging from the data was an interesting dilemma, the Non Executive Directors perceived that above all else it was important they should all “get along” with each other and be able to operate as a team for the benefit of the organisation. However, those who took part in the study believed that the CEO had a strong preference for inviting other Chief Executives to sit on “his” board which, as we have already discussed, may lead to a slanted group of personality types within the team. Many of the Non Executives mused at the contrary nature of this imbalance.

*What most Chairs are looking for is the Non Executive Director who's been a Chief Executive somewhere else, but who's now become a tabby cat. They don't want someone who's going to come in and throw their weight around because that of course is not the role and in fact many, many chairs have complained to me about Chief Executives coming onto their board and creating hell, because as you say, they are going to dominate the proceedings.*

**NED 7 Jane**

Another Non Executive candidly explained where he perceived the reason for this preference amongst Chief Executives came from:

*Funny thing that I've observed, I haven't been able to put my finger on it but there's a club, there's something that exists where CEO's don't like to get rid of CEO's, and I don't think CEO's like to criticise other CEO's nor be criticised. And so there is probably some unwritten rule around their interaction.*

**NED 5 Brian**



Some of the Non Executives also perceived that the CEO might feel threatened and intimidated by a very experienced new member, particularly one who had a set of skills not possessed by others on the board.

*I would say it's as challenging, maybe more so, challenging for the CEO when you bring in a new outside director because maybe he is from a very different place. As well as quite challenging to the new director himself and the balance of the board.*

**NED 14 David**

Integrating the new member, the study participants perceived, often required hard work as well as a clear understanding of the role requirements of both parties.

#### **4.2.2 Expectations of Relationship with the Chairman**

The Non Executives previously described how they believed that a young CEO with an older group of board members was ideal, because they perceived it was easier for a younger person to take advice. The Non Executives felt they had more to offer in terms of their greater experience to a younger “protégée”. In line with this thinking, the Non Executives perceived the importance of having an older chairman who would not feel the need to “compete” with the Chief Executive.

*We are quite lucky, the CEO is quite new and a young fellow. The Chairman is 65 and very experienced. I think that because of the age difference it works very well. There is no competition between them, which I have seen can cause problems. They work very well together and the Chairman is very supportive of the board.*

**NED 8 Thomas**

The Non Executives expected that the CEO and the Chairman should have very different roles. They perceived that the CEO should run the business and the Chairman should run the board. There was a strong feeling among the study participants that the Chairman should be someone the Non Executives could come and talk to if they were worried about something, without fear of reprisals from the CEO. To achieve this they felt that the CEO and Chairman needed to be clearly separated from each other. The sentiment of the majority of study participants is captured in the following remarks:

*The CEO manages the business and the Chairman manages the board, I mean that's the first thing, the management of the board. To make sure that the board performs its proper function, its proper function relative to the Executives, so that you've got the right balance between the two.*

**NED 15 Martin**

*The Executive Director or the Senior Manager has to see that the Chairman is actually a person apart from the CEO. No particular attachment to the CEO.*

**NED 18 Joe**

Although the Non Executives perceived the importance of a clear distinction between the role of CEO and that of Chairman of the Board, they also believed that it was imperative that these two individuals should have a strong relationship with each other. It was perceived as crucial that the CEO should feel able to call upon the Chairman when he felt unsure about an issue or just needed someone to 'mull' things over with. This is captured in the next two excerpts:

*At a senior level you have to have an ability to work well with those around you. I think making sure that the Chairman and CEO work well together is probably the most important relationship.*

**NED 17 Vicky**



*The key thing is the relationship between the Chief Executive and the Chairman, which has to be a sharing really of values and approach, and general philosophy I think towards the business or towards the organisation and if that doesn't work properly then it's absolutely evident I think throughout the whole organisation.*

**NED 23 Rachel**

A number of Non Executives pointed out the importance of having a Chairman who understood the organisation so that the Executives were not having to constantly explain things to him. However it also emerged from the interviews that there was a major caveat here. Although the Non Executives believed it to be advantageous to have a Chairman with experience of the industry and specifically the company itself, they argued that it was dangerous to move a retiring Executive, particularly the CEO, into the Chairman's role. The explanation that follows is typical of those received during *the* research:

*Let's say I am ready to retire and they say OK you retire from CEO to Non Executive Chairman and then we bring the new CEO in and he runs the company. But here is what happens, everything the new CEO wants to do or change is directly a shot at the Chairman who has to sit there at the meeting and almost defend himself for how we got into this situation that he feels so strongly needs to be rectified.*

**NED 19 John**

Other study participants described situations where the CEO had taken over the role of Chairman at retirement and had continued to manage the company instead of allowing the new CEO to do his job.

*Well the CEO has been getting a bit more petulant. He is starting to get a bit fed up with people asking him and challenging him. He is quite an arrogant guy in his own way. He is very charming... The Chairman is sometimes overcompensating for being the former CEO; it is still very clearly his strategy. The new CEO has not actually emerged from underneath, although he has been in place for three years*

**NED 4 Ray**

#### **4.2.2.1 The Chairman's Role**

There was strong feeling among the Non Executives that when there was a separation between the role of CEO and Chairman, the Chairman should be in charge of the board, freeing the CEO to get on with the job of running the business.

This is illustrated in the following comments:

*A good Chairman is invaluable to the success of the board; they should be a facilitator to the board and a friend to the CEO. The role should not be too dominant but create open and free discussions.*

**NED 16 Roberta**

*I think it's the Chairman's role to manage the board, agenda and so on.*

**NED 6 Laurence**

The subtlety of the role distinctions between that of the CEO and Chairman were highlighted on a number of occasions during the research by the study participants, emphasising the fact that all boards are very different and their characters dictated by the experience and characters of those within the boardroom role set. One Non Executive pointed out that the combined code in the UK requires that a distinction between the CEO and Chairman be written down. He commented on the difficulty of writing such a statement:

*(It's) quite difficult to put down on paper sometimes because there may be differential, the chemistry may be different and therefore you want to play to the*



*strengths. So, if you have a Chairman who has huge industry connections and the new CEO who doesn't, then the Chairman should continue to push the industry connections whereas the CEO is doing what he has been hired to do. Um, so it's not a simple line down the middle saying that side the Chairman, that side the Chief Executive. It will vary a bit. But no, the Chairman shouldn't become a proxy Chief Executive.*

**NED 6 Laurence**

In general the Non Executives believed that the Chairman should be their first line of contact with the board and that the ability of the Chairman to manage this relationship was critical to the successful use of their contribution:

*I think it has a lot to do with the behaviour of the CEO and Chairman. The Chairman often asks people for an opinion and encourages us to speak out. I think that really makes a difference, people feel that they can make a point.*

**NED 8 Thomas**

The help and advice of the Chairman was considered to be particularly valuable when first joining a board, as it was perceived as giving the Non Executive an insight into the tone of the board that he was joining. One Non Executive described a tip that he received from a Chairman when first joining a very prominent board. The Non Executive now passes this advice on to new board members of the boards on which he sits:

*I always remember when I was first appointed to (the board), the then Chairman at the end of the interview, he said, well he said, "May I offer you one bit of advice on joining the board?" I said, "Yes." He said, "I've always found it helpful if new Directors don't speak for three meetings."*

**NED 6 Laurence**

Although not contributing for any period of time might appear to be a rather bizarre suggestion, many of the study participants perceived that it was important only to

provide input where necessary. As one Non Executive put it “The board does not meet for your personal edification.”

Although all those who took part in the study agreed that the Chairman ought to provide a valuable resource for the Non Executives to make their own contribution to the board, many study participants spoke of negative experiences with different Chairmen over their careers:

*In the two years when he and I overlapped I managed about two or three minutes in a bar with him once. That was all. He just ran away from it all. He had the social manners of a goat and he just didn't want to get involved. Any Minister came and he was there. But dealing with his board members, getting them together and using them, and directing them into jobs that they could do, he just had no idea. Dreadful.*

**NED 4 Ray**

*I said something about how hard it was to work with the former Chairman because he so trivialised women and he was such an abusive type of person and that while to my face he was like, well you know we were so lucky to get someone so smart and all this baloney, I always felt like he discounted what I had to say. And this guy said, “Eh, you know once you joined we already had high level people. I am a little lawyer from Grand Island and you know that is the same way he treated me”. I always felt like he would listen to me and then discount it – and I thought maybe it's not gender specific.*

**NED 3 Liza**

The comments of the study participants above highlight the importance of having a Chairman with “people skills”. Their words are typical of many stories that emerged from the research. It was common for the Non Executives to feel discounted by the Chairman and CEO to the point where they perceived themselves as unable to function at all in the boardroom. The next quotes highlight the level of demoralisation that some Non Executives have on occasion reached:



*I really find my self almost immobilised by my own bad attitude or my own distortions. I find myself quite immobilised in that way.*

**NED 4 Ray**

*I felt completely ineffective.*

**NED 7 Jane**

#### **4.2.2.2 Relationship between the Chairman and the Chief Executive Officer**

The effect of the Chairman and CEO emerged as a consistent theme during the interviews. Many Non Executives seemed to be intimidated by the CEO, particularly if the Chairman was seen to be very involved with the day-to-day business of the organisation rather than just the management of the board. The Non Executives described situations in which the Chairman and CEO were perceived to have formed a “double act” in their attempt to control the board, rather than seeking advice from it. Such a situation is described in the next quotation:

*He (the CEO) ended up in a kind of Butch and Sundance combination. They were a pretty impressive in combination, and because they so much identified with each other, they tended sort of to bypass us. In truth, this is all in truth, they would bypass the board in fact. Not that the board necessarily would cough to this.*

**NED 18 Joe**

The Non Executives were almost unanimously of the opinion that the Chairman should lead the board and the CEO the company. However, they described a number of situations where this did not happen. Quite frequently the Chairman was perceived as effectively trying to control the company rather than just the board.

*The difficulty, of course, is that although it has to be a very close partnership, there also has to be sufficient distance because part of the role of the Chairman is to hold the CEO to account and so that at times of course can present a slight conflict.*

**NED 23 Rachel**

The presence of an overly controlling Chairman appeared to have a major effect on the team dynamic. For instance, one Non Executive recounted an occasion when her (very dominant) Chairman believed that she would vote against a multi billion-dollar deal into which he had put a great amount of energy. When it came to the vote the Chairman went around the table one by one asking each of the 13 other board member yes or no, leaving the individual with acknowledged reservations until the very last, as the individual put it “crushing my vote”.

Another study participant who, coincidentally sat on the same board, recounted the same deal, with similar misgivings about its outcome. This Non Executive was so overwhelmed by the force of the Chairman’s argument that he didn’t even raise his doubts with the board. A factor that came through very clearly, and was discussed in detail in section one, was the importance particularly to the Chairman of having consensus in board meetings, a number of interviewees commented on the desire to avoid any kind of split in the board, which may explain the controlling behaviour of some Chairmen.

Despite the Non Executives’ perception of the problems of having an overly controlling “hands on” Chairman, it also emerged that some perceived the need for



their Chairman to push their CEO harder, particularly when there appeared to be a lack of strategic direction. This is captured in the next excerpt:

*In my view (the CEO has) an insufficient capacity to take a strategic view and he was very much a hands-on man. He would come with the sense that because we were doing it, it must be right and if you've got that sort of guy, you've got to have a Chairman who is actively challenging him all the time to look for the other strategic path and I think it failed at that level and because it failed at that level, it failed at our level too.*

**NED 10 Phillip**

#### **4.2.2.3 Separate or Combined Role?**

Many of the Non Executives in the study had experienced working on boards with a combined Chairman and CEO and also boards where the two roles were separated. There were mixed feelings among the study participants about the efficacy of both designs. Few Non Executives believed that either was wholly effective. There was, however, a general agreement that the nuances of personal characteristics were what, in the end, made a difference between a successful board team and an unsuccessful one.

The majority of those who took part in the study perceived that there needed to be someone other than the CEO, to whom the Non Executives could talk, if not a Chairman then a Lead Director. Some study participants discussed the importance of the CEO having the time to actually run the business. They argued that if the CEO were also acting as Chairman, the time he had available for managerial duties would be greatly reduced. The next excerpt summarises the opinions of many of the Non Executives:

*I have never believed that the Chairman and the CEO should be in the same person; they are two completely different roles. The CEO should absolutely be an active voting board member, get nominated and voted by shareholders, so one vote just like everybody else but sitting at the end of the table should be either a Lead Director or a Chairman of the board and the Chairman needs to be someone who is comfortable and familiar with the business that this company is in, so that the CEO does not have to spend a lot of time explaining to that person "Here is the deal."*

**NED 19 John**

*The Non Executive Chairman plays a vital role here, providing stability and aiding communication between the CEO and the board.*

**NED 16 Roberta**

Some study participants highlighted the difference in focus that could be created through the use of two separate individuals in the roles of CEO and Chairman. The Non Executives argued that the CEO was naturally focused on short-term profits, whereas a Chairman has greater freedom to look at longer-term issues and the overall tone, reputation and sustainability of the organisation:

*Chief Executives will be, perhaps, more reluctant to set those tones than the Chairman because the CEO could see it as just a cost on the company and therefore a negative to his bonuses.*

**NED 6 Laurence**

A few Non Executives, who were all interestingly Chief Executives themselves, believed that the two roles were best combined into one person. They argued that the CEO was ultimately responsible for the company's results; they perceived that a Chairman was often given authority without real responsibility, which they believed to be inappropriate. This was a particularly perplexing line of argument as all board



members have equal responsibility for the company's performance. They explain their beliefs in the next two comments:

*I've had the opportunity to wear every hat. I've been CEO when I wasn't Chairman, I've been CEO and Chairman, I've been Chairman when I wasn't CEO. I've had all hats. Frankly I think the best one is the combination of CEO and Chairman. And the reason for that is that you have (responsibility). You don't have the responsibility as Chairman, you are not engaged in the ongoing management.*

**NED 1 Warren**

*I think that the trade-off is back to that issue of accountability - who actually owns the results. We have a unified Chairman and CEO in one person and the positive of that is that it is crystal clear to all parties who owns the strategy, who owns the performance, who's accountable and who is in power. And so, things like speed of decision-making, clarity of communication, those things are enhanced by having that unified power base.*

**NED 11 Barry**

Many of the Non Executives advocated the use of a Lead Director, whether a separate Chairman was present or not. They perceived that the role provided a useful buffer between the board and the Chairman and CEO in times of crisis.

*A senior independent director should be there as, in a way, a custodian of the shareholders' trust - somebody they can approach if they have concerns that have not been reconciled with the Chairman and Chief Executive. They should only go to the senior independent director when they feel they are getting nowhere, otherwise you create, you get divisiveness again.*

**NED 6 Laurence**

*We have a Lead Director that is appointed, so one of the outside directors, not an Executive, plays the role of lead and is the primary liaison between management and the board. And I think some of the values of having a separated Chairman are picked up in that Lead Director role.*

**NED 11 Barry**

#### **4.2.2.4 Role Experience: Creating a Positive Environment**

The study participants perceived the importance of receiving encouragement and positive reinforcement from both the CEO and the Chairman. The Non Executives described how they felt that they worked harder and felt more capable and confident to offer help and guidance when they believed themselves to be valued by the CEO and Chairman. The comments of the next two Non Executive Directors are typical of those of the study participants in general:

*Well, I think it has a lot to do with the CEO and Chairman. They really make an effort to ask us all for our opinions, encourage us to speak out and that really makes a difference.*

**NED 8 Thomas**

*The CEO was a maestro... he found a way, as the communication expert he was, to make each board member feel valued and it's a typical thing that you see, you tend to do more. Step forward you volunteer.*

**NED 3 Liza**

#### **4.2.3 Summary Section Two**

Emerging powerfully from the research was the perceived effect of the CEO and Chairman on the ability of the Non Executive Directors to make an effective contribution to boardroom activities. The Non Executives discussed in great detail their perceptions of the role of these two key members and their effects on the dynamics of the boardroom role set.



The following sub themes emerged from the analysis concerning the perceived role of the CEO and Chairman:

1. The Chief Executive's relationship with the board was perceived by the study participants to be highly complex. The ability of an individual CEO to relate to the board was perceived to directly affect the ability of the Non Executive to contribute.
2. When a separate Chairman was in post the Non Executives perceived that the Chairman should manage the board so that the CEO could concentrate on managing the business. These roles, the study participants perceived, should be supported by clear job descriptions to avoid misunderstandings.
3. The Chairman's role was perceived by the study participants to involve the complex balancing of relationships, both with and between the CEO and other Board members.
4. Age was considered by the Non Executives to be an important factor in the dynamic of the relationships in the boardroom. It was perceived as being advantageous to have a CEO who was younger than the rest of the Board and a Chairman who was older than the CEO.
5. Moving a retiring CEO into the role of Chairman was considered to be dangerous, because it was perceived by the Non Executives to impair the ability of the new CEO, and lead to divided loyalty and alienation within the Boardroom role set.
6. It was perceived that Chief Executives were predisposed to be overly domineering and controlling and thus frequently stifled the Non Executives' ability to make a useful contribution.

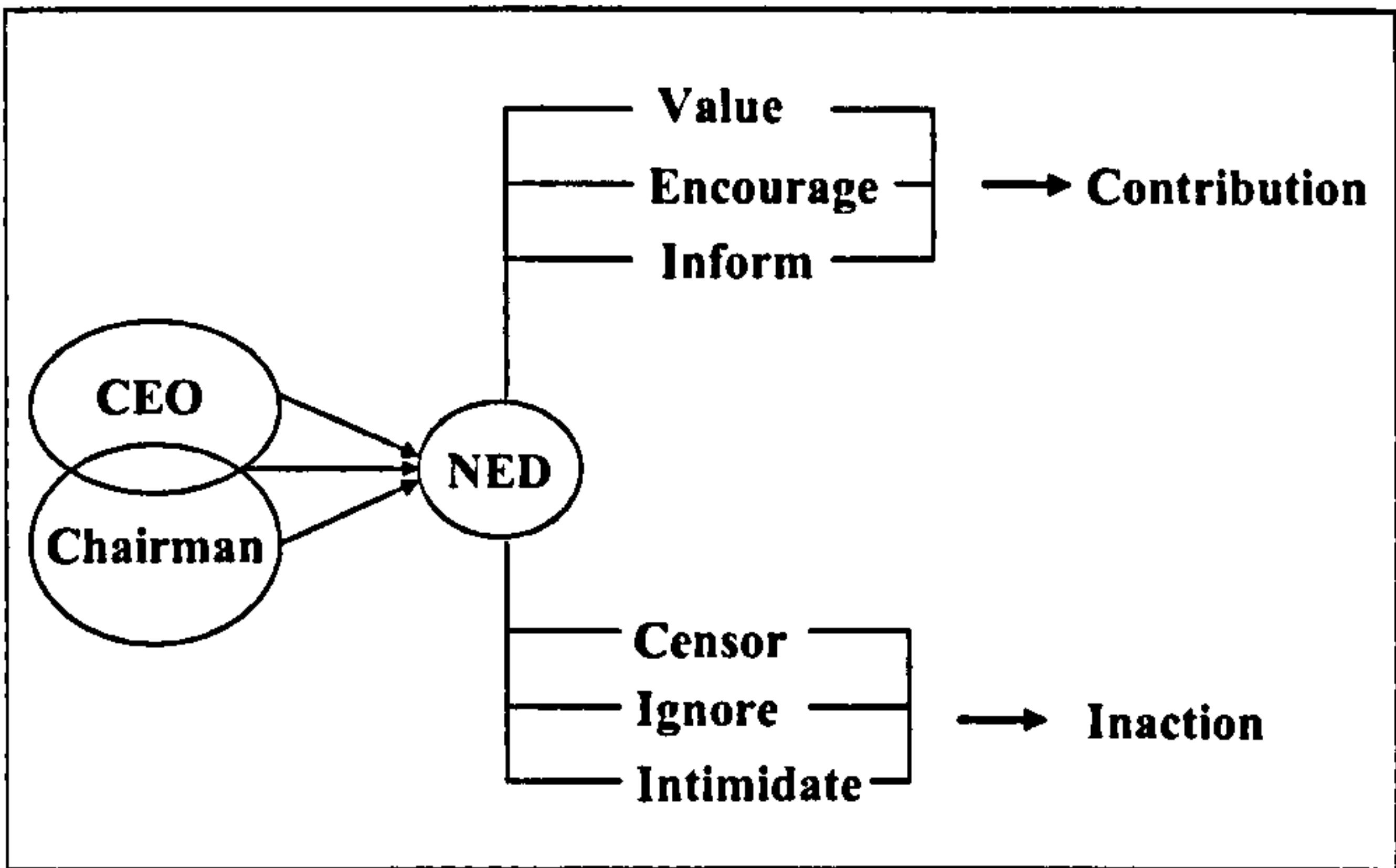
7. CEO's were perceived by the study participants to be inclined to populate the boardroom with other Chief Executives, because they possess similar personality and experience attributes to their own; this may lead to a dysfunctional role set.
8. The CEO was perceived by the Non Executives as being under constant pressure to maintain and improve corporate results. The Non Executives believed that part of their role should be to protect the CEO from the short-term market.
9. As a result of the constant pressures facing the CEO, the Non Executives perceived that he might attempt to gloss over bad news. The study participants believed, therefore, that it was necessary to "gently push" the CEO from time to time.
10. The Non Executives perceived that the communication of expectations between the Chief Executive, Chairman and the rest of the Board was essential; despite this they perceived that there was little attempt to provide information.
11. Meeting away from the CEO was considered by the study participants to provide a useful opportunity to discuss delicate issues, particularly succession planning. However, the Non Executives perceived that their Chief Executives did not always approve of, or encourage, such meetings.
12. Although most of those who took part in the study believed in the separation of the roles of Chairman and CEO a few Non Executives argued that the joint role created clearer lines of responsibility and communication.



13. Separation of the role of CEO and Chairman was perceived by the Non Executive Directors as a way of encouraging long-term sustainability, because the study participants believed that although the CEO might be expected to focus on short-term profitability the Chairman may be more inclined to take a longer term view of the business.

In summary, the emerging outcomes of the analysis of this theme suggest that ensuring the CEO and Chairman are able to function as team, with distinct and separate roles that are explicitly understood by the whole role set, is essential. What is more, the CEO and Chairman need to appreciate and also communicate the value of the contribution of their Non Executive Directors. In the following model emerging themes are represented to show the study participants perceptions of the effect of the CEO and Chairman on the role and contribution of the individual Non Executive Director. The model highlights the importance of creating a positive environment within the boardroom, where the CEO and Chairman actively recognise and reinforce the value of the contribution of the Non Executive team:

Figure 4.4. Perceived Effect on Contribution of the CEO and Chairman



Source: Compiled by the author

If Non Executive Directors perceive that they are considered a valuable resource they are likely to contribute fully in the boardroom process. Creating an environment where the Non Executives feel valued was perceived by the study participants to require reflexivity, particularly on the part of the Chairman. Table 4.2 below outlines the emerging themes from this section of the analysis.

Table 4.2 Summary of Emerging Themes Section Two

Theme	Expectation	Experience
Relationship with CEO	Look up to and respect NED CEO should run the business not the board	CEO may intimidate NED's NED's often felt undervalued in the relationship May try to control information flow to NED's Discourages personal relationships among role set members Encouragement from CEO may enhance motivation to contribute
Character	Arrogant, robust, aggressive	CEO's may intimidate NED's into passive behaviour Charismatic CEO's sometimes have the same effect CEO's need to feel in control
Pressure	Under constant pressure from markets	CEO may gloss over bad news – NED's need to "gently push"

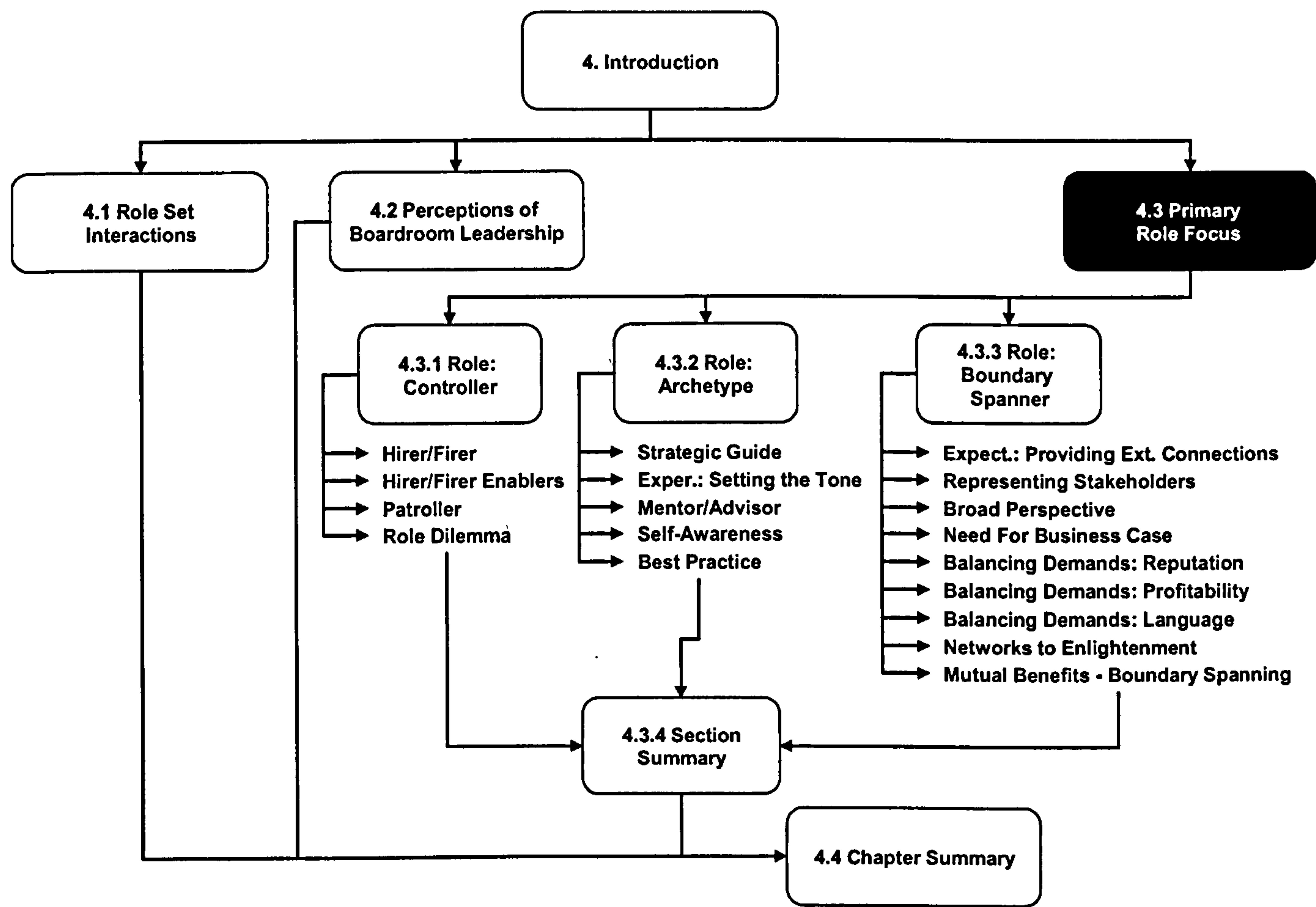


Meetings	Informal sessions away from CEO are useful for team building and succession planning	NED's should provide a safe environment for CEO to make long-term decisions CEO's are uncomfortable about informal session Some argue that everyone has equal responsibilities so everyone should be present
CEO Preferences	Wants other CEO's with similar backgrounds on the board	May lead to slanted group of personality types in team CEO's don't like to criticise other CEO's CEO may feel intimidated by individuals who have expertise beyond their own
Relationship between CEO and Chairman	CEO should ideally be younger than the Chairman CEO needs to respect and trust the Chairman NED's need to see the Chairman as separate from the CEO	When CEO/Chair relationship is too close NED's sometimes find it intimidating to approach the Chairman CEO and Chairman might work together to control the board
Combined CEO and Chairman	Neither combined or separate considered wholly satisfactory	Personal characteristics key to success Without separate roles there needs to be a lead director CEO's time reduced if running board and company Combined role leads to clarity of responsibility and chain of command Less likely to consider social factors because CEO tends to be more profit focused than Chairman
Relationship with Chairman	Older and respected Available to and facilitator for NED's Clearly separate from CEO Should not be competing with the CEO but share values and philosophy	Sometimes individuals moved from CEO to Chairman on retirement which creates a power struggle and confuses role boundaries for team Sometimes aloof May discount or trivialise NED's perspective Some consider that Chairman has authority without responsibility
Role of Chairman	Run the board Set the agenda Must understand the business Encourage NED's to speak out	May try to run the company as well as the board Ability of Chairman to manage relationships is key Chairman will always try to avoid a split board Chairman needs to be able to push the CEO Chairman may be more sensitive to social and reputational factors

Source: Compiled by the Author

4.3 Section Three: Primary Role Focus

Figure 4.5 Section Layout



Source: Compiled by the Author

The Non Executive Directors who took part in this study were asked to articulate their perceptions of the Non Executive role. Responses focused primarily on three key aspects of the role, characterised as:

- Controller
- Archetype
- Boundary spanner



Within these specific roles the subsequent analysis will firstly explore the Non Executive Directors' perceptions of their expectations of their role. This is followed by an analysis of emergent themes pertaining to their perceptions of their experience of the actual role.

#### **4.3.1 Role: Controller**

A common expectation emerging from the study participants was that their role as a Non Executive Director would endow them with a certain degree of power and control within the boardroom. The Non Executive Directors described two functions of their role, which afforded them perceived control:

- Hirer and Firer
- Patroller

##### **4.3.1a Role Expectations: Hirer and Firer**

The Non Executive Directors perceived that an important part of their role was to provide leadership in times of major crisis; for example, to act when it became necessary to dismiss the CEO or Chairman of the company. Although there was a consensus that such an event was quite rare, possibly only happening once or twice in an entire career, it was generally considered to be a defining element of the overall role. The comments that follow highlight the strength of this belief:

*Number one job of the board is to hire and fire the CEO. It's something you work on; it's like a marriage. It's one of those things where you may not completely agree on everything, but it is true you'd better communicate.*

**NED 1 Warren**

*The whole job of a good board is to be able to fire the Chairman.*

**NED 2 Anne**

*Ensuring the succession is a classic job description.*

**NED 3 Liza**

#### **4.3.1b Role Experience: Hiring and Firing**

The Non Executives discussed their expectation that they would have a certain degree of control in the boardroom. The study participants envisaged themselves as having a patrolling role and felt that being able to hire and fire the CEO and Chairman was a crucial part of their *raison d'être*. However, despite the study participants' expectations of power and control in the boardroom, their accounts of actual behaviour in and around the boardroom would suggest that their experiences of power and control differed somewhat from those expectations. Emerging from the data was a strong impression that the Non Executives often experienced feeling powerless to act when they believed that something needed to be changed.

The Non Executives described at length the importance of showing accord and working together with others in the boardroom in order to achieve positive outcomes. The study participants discussed how they sometimes felt disenfranchised from the hiring process by the Chairman and CEO. The CEO and Chairman were perceived by the study participants on occasion to hire new board members who represented their own personal interests, with little real consultation with the rest of the board. This is encapsulated in the next excerpt:



*The chairman has briefed the head-hunter, seen the people. It was his view of the balance. The nomination committee has just nodded it in. Actually I haven't even met the guy. We haven't been consulted. I told them to get on with it.*

**NED 4 Ray**

The above comment also highlights the frustration that feeling disenfranchised from the decision-making process can create for the individual Non Executive. As Ray puts it “I told them to get on with it.” This will be discussed in detail in the next chapter.

The study participants discussed the problem of vested interest in the board preventing the Non Executives from acting in the capacity of ‘hirer and firer’. A common situation involved a retiring CEO being moved into the role of Chairman and subsequently manipulating the board to prevent their own and their allies’ removal. More than one study participant discussed situations where attempts to remove a very elderly Chairman had failed because board members feared the repercussions of challenging him. One Non Executive described the kind of power that he felt the Non Executives needed to have, in order to be successful, as follows:

*They have to have the power and privilege of questioning the decisions of the company without risk.*

**NED 5 Brian**

#### **4.3.1c Role Experience: Hiring and Firing Enablers**

It emerged that when the Non Executives did find a way to work as a cohesive group, they reported that they did have the power to make the changes they believed were necessary. One Non Executive discussed how en masse the company’s senior

executives had come to him and told him that they had lost faith in the Chairman and CEO. By the next day the Non Executive had taken the views of all his colleagues. In the excerpt below he recounts the subsequent conversation with the Chief Executive:

*(The CEO said) "I think we've got a board meeting in ten days. I think we can discuss it then." I said, "Well we actually have called a board meeting for 4.30 this afternoon." (This was at 2.30.) "Everybody will be there."*

**NED 6 Laurence**

The study participants suggested that it was much easier to make difficult decisions when you could rely on those around you to provide support particularly, as in the above example, in times of crisis. The Non Executives further discussed how it helped if there were Non Executive Directors present on the board who the rest of the board perceived to be powerful in terms of their capabilities. The next two comments highlight this observation:

*I'll tell you who was effective. He just had to say something at a meeting and the chairman respected him, he was a heavy weight in the City. He had a lot of influence, and a lot of sway and I think I saw him change things.*

**NED 7 Jane**

*The Non Executives can (challenge) if they are very powerful people.*

**NED 4 Ray**

#### **4.3.1d Role Expectations: Patroller**

The Non Executive Directors' expectations were that their role as 'patroller' was complex. The study participants perceived that it would involve balancing role behaviour between that of the receptive and knowledgeable counsellor, providing support and a 'safe place' for the CEO to take long-term decisions, and that of the



supervisory agent, ensuring the Executives were performing their roles in an appropriate and satisfactory manner.

#### **4.3.1e Role Experience: Patroller**

In line with the Non Executives' expectations it emerged that the Non Executives' experience of their role as 'patroller' was seen to be both complex and difficult. Participants discussed the problems they perceived in acting as both patroller and advisor. The Non Executives perceived that to execute their patrolling role they needed to be able to function as an effective group. The study participants argued that they often lacked the requisite understanding of complex organisational issues necessary to adequately patrol the Executive team. The study participants frequently reported having to rely on others to understand issues, which they did not understand themselves. This was discussed in more detail in section one of the analysis, but is highlighted here by the following selection:

*It's just impossible, without actually having the time to really sit down and think about something to actually work out what's going on and you therefore have to rely sometimes on other people around you to understand things*

**NED 2 Anne**

*I consider myself to be very financially literate, but I still find it difficult to understand the more abstracted financial stuff...luckily there are a few people on the board who really do understand all this, which makes it easier for the rest of us.*

**NED 8 Thomas**

The Non Executives' perceived lack of understanding of complex organisational issues was further exacerbated because they perceived that the Executive team

members would not always present the board with all the information on an issue, but would instead skew arguments to suit their own personal agenda.

#### **4.3.1f Role Dilemma**

It emerged that the Non Executives often felt torn between their role of 'patroller' and that of mentor and advisor to the Executive team. The study participants talked about the need to protect the CEO from the pressure of the market, in order that he could concentrate on the long-term success of the organisation. The study participants perceived that if they were regarded as existing purely to monitor the Executive board members, the Executives would not feel able to seek advice when there was a problem. Thus, balancing the roles of patroller and mentor was viewed as highly problematic. The sentiment of many of the respondents/informants is captured in the next example:

*They should be a patrolling influence in the boardroom to ensure that there is good conduct in the way in which the business is being run - that's why I use the word patrolling because I think policing is about enforcement. Patrolling is about monitoring. I think the policeman role is a very divisive role. You don't want to create division; the codes are going too much the policeman route.... there was never really emphasis on the leadership role of a board, which is very critical. Not that the board itself is the leader but they should be encouraging leadership and they should be encouraging growth and prosperity of the business.*

**NED 6 Laurence**

The study participants also described the importance of making the CEO feel comfortable enough to be completely honest with the board. The study participants argued that if the Non Executives became too policing in their approach to the role,



the CEO might try to avoid bringing issues to them that could influence the Non Executives' perception of the CEO's management ability. One participant clarified the point as she explains that although patrolling the behaviour of management was an important part of the role, she also perceived that if a Non Executive were to move too much towards the enforcing role, management might not then feel comfortable enough to discuss issues openly.

*I don't think it should be total policing, you get to a point if you have an incident in the company that causes bad feeling. Once you start policing your role, any kind of strategy and policy really goes down the tube.*

**NED 3 Liza**

#### **4.3.2 Role: Archetype**

The Non Executive Directors perceived that an important part of their role should be that of 'archetype' or 'role model', primarily for the CEO and other Senior Executives, but also channelling through the Chairman and CEO out into the wider organisational and community context. The study participants believed that in so doing they were able to set a clear tone for appropriate organisational behaviour.

Four elements provided the basis for this role:

- Strategic guide
- Setting the tone
- Mentoring/advising
- Encouraging best practice

#### **4.3.2a Role Expectations: Strategic Guide**

All the Non Executive Directors who participated in the study considered providing strategic guidance as a major part of their role. The study participants perceived that their contribution was most useful for determining high-level strategy and that becoming excessively operationally focused was not generally very helpful. The collective sentiment of those who took part in the study is captured in the following remark:

*I think they should help in the moulding of strategy. Probably the strategic thinking has to come from the CEO but the Non Executives should be prodding, if they think the strategy is not challenging or is not enough and reining it back if it's a bit too ambitious. They should be amending the strategy from their experience and it should be clear if the executive is going down the wrong road.*

**NED 6 Laurence**

#### **4.3.2b Role Experience: Strategic Guide**

Despite the Non Executive Directors' expressed desire to keep debate at strategic level, discussions with the study participants about their actual experiences in and around the Boardroom revealed their frustrations about the extent and depth of this strategic involvement. The following examples highlight the study participant's frustration:

*We would debate over the colour of the napkins for the annual event. That's just not the role of the board, so my focus has always been to try to get the board strategically focused.*

**NED 9 Geoff**

*We have got relatively little information. It is a very simplistic strategy. We have not had any strategic discussions in the year and a quarter since I have been on it and*



*that is one of the things we are supposed to look after the strategy... Being a NED is now increasingly technical.*

**NED 4 Ray**

The issue of board meetings being used to deal with operational issues was advanced by many of the Non Executives. The study participants believed that all too often boardroom debate, instead of concentrating on strategic issues, became too detailed and operational. The Non Executives perceived that quite often the Executive team failed to differentiate between their management meetings and the meetings of the board, which in the eyes of the Non Executives should be completely separate. This was discussed in greater detail in section one, but the following quote highlights their dilemma:

*It feels a bit to me like a kind of slightly enlarged meeting of the Group Executive Committee at which it happens to be the case that Non-Executive Directors are present, a kind of continuation of certain types of senior management discussion by other means... the sense is not well enough implanted in the minds of the Chairman and the CEO and some of the Executive Directors that the role of a Board is different from the business of running the company.*

**NED 10 Phillip**

It also emerged, that many of the Non Executives did not feel that they could fully engage in boardroom debates. Study participants did not believe they had enough access to the organisation to give them the capability of understanding it adequately. Further, there was a perception amongst the Non Executives that modern governance practice meant that Non Executives should have little or no knowledge of the industry sector, which left some struggling to cope with the technicalities of

industries in which they had little or no knowledge or experience. This point is made very starkly in the next two excerpts:

*They're not allowed to actually know anything about the industry that you're in. Right? They're smart, they're educated, they're experienced, but they cannot be customers, they cannot be suppliers, they cannot be executives or even former executives in the recent past.*

**NED 11 Barry**

*Even though a board does not, should not, get involved in the day-to-day kinds of activities, they have to know what's going on. And you cannot even deal with your policy kinds of things if you don't understand what's happening in your company, in your industry... How can we put a stamp on the strategic direction if we don't understand?*

**NED 12 Ruben**

#### **4.3.2c Role Expectation: Setting the Tone**

Setting the tone was perceived as an important element of the role of the Non Executive. It was perceived as a subtle concept, which according to the study participants, should involve both the way they work in the boardroom and also the image that they radiate to the wider organisation and its environment both personally and through the senior management team.

*I think the directors literally set a tone. Maybe if I had to pick one, that is it, they set a tone with the management team. It is that confirmation role that is significant, and they really have to work on that to try and achieve that confirmation.*

**NED 1 Warren**

*You've got to set a tone and it has to come from the top. It has to come from the board and the CEO. If it doesn't happen with the CEO, it doesn't happen with the board or vice versa. It's probably going to trickle down into the organisation. It's going to trickle out into the community.*



The Non Executives who took part in the study believed that their ability to set the tone came through the second two aspects of the role of archetype: Supporting and mentoring the senior executives and encouraging them to utilise ‘best practice’ within the organisation.

#### **4.3.2d Role Experience: Setting the Tone**

Study participants were asked to discuss why their boards had made certain key strategic choices, which might not necessarily be viewed as directly linked to organisational profitability. For example, one study participant worked on the board of an insurance company. The Board of Directors had instructed the company’s employees to always pay personal health claims, unless there was a very strong case not to; or the Non Executive for the food distribution company whose board insisted that all food from a batch be destroyed if there was even a remote possibility of a problem. When the study participants were questioned about their own boards’ choices, many gave the same answer, that quite simply “It was the right thing to do.” It was commonly perceived by the Non Executive Directors that the company owed much of its long-term success to this understanding of “the right thing to do” and that this is what in essence the board provided for the organisation.

*We did it because it was smart, it was the ‘right thing to do. But I’ll tell you in hindsight it was smart. Because we’ve had a lot of good feedback from people who said, boy they do care. You can’t buy that, you have to do that, you have to work on that. It was just the right thing to do.*

Although the Non Executives reported that individual projects were rarely discussed in the boardroom, an emerging phenomenon was the board members' belief that they set the 'tone' for the organisation. This was particularly true in those organisations where the Non Executives were encouraged to become more deeply involved with the organisation and make contact with the lower echelons. One Non Executive described how a manager would simply know how to react to a given situation because of the reputation that the company was built upon, and which was encouraged by the Board. This was commonly described by the study participants as simply an understanding of "the right thing to do."

Emerging from the data was a perception among the study participants that the presence of individuals in the boardroom with strong views on corporate responsibility issues, or previous experience of the importance of reputational factors such as corporate responsibility, enforced the value of good practice within the board more widely. This is described in the next excerpt:

*I mean the whole issue about Non Executives, whether they're setting the tone, whatever role they're doing, it's always down to the individual and how they personally interact with others who may or may not have come from similar backgrounds. It's all about personal interaction.*



#### **4.3.2e Role Expectation: Mentor/Advisor**

The Non Executives discussed their perception that they should be able to provide ‘friendly’ advice to the CEO and Senior Executives; the study participants viewed this activity as an important part of their expected role. Mentoring the full time executives was perceived as being an informal activity, which might be expected to take place ‘off line’ outside of the boardroom setting, as the Non Executives in the next two examples illustrate:

*Basically they are advisors. That’s what the job is and that’s what the Non Executive Directorship is. It’s really an advisor it’s not an actor.*

**NED 2 Anne**

*I suppose the third is a mentoring role, which doesn’t necessarily happen in the boardroom but it happens outside. If there’s a finance man on the board the Finance Director has somebody he can sort of go and talk to.*

**NED 6 Laurence**

#### **4.3.2f Role Experience: Mentor/Advisor**

The Non Executives expected that an important part of their role should be as mentors and advisors to the board and senior management team. Analysis of the research would suggest that the Non Executives did act in the capacity of mentor and advisor to the CEO but that they had only limited access to other full time board members and very little access to senior managers who were not actually members of the board. In the next example the Non Executive talks about the discomfort he perceived the management felt at his and his fellow Non Executives’ suggestion that they should have wider access to the company’s managers:

*Well I don’t know why, and it’s just a good example of an innate institutional suspicion. Obviously you don’t want your Non-Executive Directors being too clever by half and just getting in the way of the cogs of the management. I accept that*

*totally. But I do think that what is provided by means of Non-Executive Directors is a resource that is not sufficiently well used.*

**NED 10 Phillip**

As the study participants expected, much of their advising/mentoring role appears to take place away from the main Boardroom. This is illustrated by the Non Executive in the next excerpt:

*It is to be an advisor to the CEO, an off line advisor. One thing that is misinterpreted a lot is that certain people don't speak up a lot in a boardroom and so some people say "Oh God! They have no value." Then you come to find out, you talk to the CEO, this is the person that they call three or four times a week off line and say "What do you think about this?"*

**NED 3 Liza**

Many of the Non Executives found that one of their most fulfilling roles was, in fact, that of an off line advisor to the CEO. Some discussed "popping in" to see the CEO for a chat or having a quiet dinner with the CEO. This is exemplified in the next quotation:

*I spend more time, have more influence talking to the CEO outside. I have lunch with him every so often. I say "Look you are behaving badly in this, you are really getting up our noses by your defensiveness" and so on, "I can understand it but you are not helping yourself by doing it." I personally try to influence outside rather than at the meeting because I am not a great meeting person really.*

**NED 4 Ray**

#### **4.3.2g Frustration**

For many study participants there was a degree of frustration at their seeming inability to influence the behaviour of the board. The Non Executives provided examples of situations where they felt they had offered good advice to the Executive



team, which they then perceived had been ignored or treated with outright contempt by the senior management. This feeling of powerlessness affected the study participants to such an extent that they questioned their role as a Non Executive and even talked about their desire to leave the role behind.

*I have been watching this board trying to influence the shape and the seasonality of the business and the packaging of all the 70% of the profits into the last month which is going to catch us one year - we know it is going to catch us but we have not been unable to influence the management to do much about it. We are doing all that we can. But we haven't actually changed it because we all know that we are going to get caught one year, and we will all look like absolute idiots because we promised the City we would sort it out.*

**NED 4 Ray**

#### **4.3.2h Self-Awareness**

Some Non Executives discussed their discovery that they themselves could be the cause of intimidation within the group. One very high profile Non Executive, who was brought onto the Board of a company that had started as a small concern and within five years become a global brand, discussed the discomfort that he perceived other board members might have felt, at least initially, from his presence on the board. He perceived that his attempts to mentor and advise the board might easily be misconstrued and that his high profile might in itself make some board members too intimidated to contribute:

*I think it's tough for everybody. It is hard for the new board member because obviously you are trying to learn some of the intricacies of the company. You are clearly trying to develop and learn some of the intricacies of the boardroom and the flip side of this is the existing directors who are familiar with some of the subjects that you might bring up, but most of them by the sheer depth of experience (necessary) will not have dealt with some of those points in the past. Whether you are seen as threatening to some of those people, then possibly yes!*

#### **4.3.2i Role Expectation: Encouraging Best Practice**

The Non Executives believed that the dissemination of so-called best practice went beyond the realm of pure governance or strategy formulation. This element of the Non Executive role was perceived by the study participants as ensuring that organisations went beyond the letter of the law in ensuring good practice in all elements of the organisation's dealings with its environment. The following quote emphasises this belief:

*I think you have to look at managing the whole corporate governance dimension of the company and ensuring that it doesn't just obey the letter of the law and keep out of trouble, in a sort of defensive sense but actually you know, positively shapes the agenda and the activities of the board, along the lines of best practice. That is very important. That is a very large element within the responsibilities.*

NED 15 Martin

#### **4.3.2j Role Experience: Encouraging Best Practice**

The Non Executive Directors believed that part of their role was to encourage best practice within the boardroom and also in the wider organisation. Some individuals discussed personal agendas to, for example, encourage greater diversity in the boardroom. Many of the female study participants discussed their plans to persuade their organisations to encourage more female entrants into senior management positions.



*I said I am really disappointed to see that there are no women in senior management and we really don't have any kind of pipeline. I really need to put in place a mentor programme.*

**NED 3 Liza**

The interviewee in the above case and other female study participants described how they tried to encourage greater diversity in the organisation, but often perceived resistance from the board. Many women Non Executives also described their fear of being stereotyped if they spoke up about women's issues in the boardroom.

*I can keep pushing but then it's like are you pushing for the right thing. You know you have a cause of your own, and you don't want that, because that is totally demoralising.*

**NED 3 Liza**

*It would be too easy to become stereotyped as single issue; I don't want that.*

**NED 16 Roberta**

These women Non Executives generally reported that they were almost always the only females present in the boardrooms in which they worked; they perceived that they lacked wide ranging support from the Boardroom team, and many talked about feeling isolated within the role set "outside of the club". One woman described her perception of the way her board viewed her as "almost like, a sassy blonde teenager" (NED 7 Jane). This was despite her international experience and presence on some of the most powerful boards in the world. A male interviewee, who made the following observation, confirmed this perception:

*The other problem I've noticed with a lot of women Non-Executives is that they often, even if they feel strongly about something on a board, they won't say anything, because they are worried that they'll be perceived as simply banging the table, because they are a woman.*

**NED 6 Laurence**

Some Non Executives had more success in spreading good practice. One study participant discussed how he had spent months researching best governance practices for an organisation for which he was CEO. He then realised that he could apply that knowledge to another board on which he was a Non Executive.

*I really felt that we could benefit by becoming a little more clued up and getting down on paper and codifying some of our ways of operating.*

**NED 14 David**

This interviewee perceived that he was viewed by the rest of the board as someone with a huge amount of experience, beyond that of other members whom he viewed as talented and highly capable but, as yet, less experienced than himself. He perceived that his voice carried more “weight” and his suggestions to improve corporate governance were accepted in full.

It emerged very strongly from the research that the perceptions of others within the boardroom role set influenced the ability of the individual to contribute to board proceedings. For example one Non Executive talked about a colleague who was considered by the rest of the board to be highly capable, made a suggestion that the company needed to be more aware of social responsibility issues. The CEO didn’t agree with the Non Executive in question but the other Non Executives supported him forcing the CEO to rethink his strategy:

*Most of the Non-Executive Directors said ‘No! Wrong! We do have to pay attention to this.’*

**NED 10 Phillip**



Phillip's experience is in stark contrast to many of the female study participants who, as described above, perceived that they received little support from the rest of their boardroom role set. This particular dynamic of Non Executives working together to achieve specific goals emerged consistently throughout the analysis as a key to successful contribution.

Although many Non Executives were able to provide positive vignettes about their and other's attempts to spread good management practice, it also emerged that some had experienced less positive incidents where they perceived that bad management practices were being spread through the network of Non Executives, as is described in the next excerpt:

*Often what they do when they get together is actually spread bad practice; they don't spread good practice. I'll tell you what, old chap, I'll tell you what I've done in the past, and its worked a treat, and you hear them spreading bad practice.*

**NED 7 Jane**

The study participants perceived that Non Executives often relied heavily on other board members for information pertinent to their role. They perceived that Non Executives often lacked formal training opportunities, leaving them with little option other than to rely on the wisdom of their Non Executive peers.

#### **4.3.3 Role: Boundary spanner**

There was general consensus among the Non Executive Directors that they had been recruited into their Non Executive positions because of certain skills, experiences or

external contacts which they had been able to acquire within other organisational or life settings, prior to their board appointments. They believed that these skills could be used by the organisation to enhance organisational effectiveness by filling competence gaps internal to the organisation. Three skills provided the elements for this role:

- Providing external connections
- Representing constituents both internal and external
- Giving a broad perspective/alternative view point

These will now be discussed in detail below:

#### **4.3.3a Role Expectations: Providing External Connections**

Because the majority of Non Executive Directors already had highly successful careers outside of the host boardroom, they believed that they came equipped with a unique set of business contacts and a network of associates which might otherwise be difficult for the host organisation to replicate through its own internal resources. Many Non Executive Directors expected that providing external contacts for the organisation would be an important part of their role. Several assumed that this was the key reason for their recruitment to the board of certain companies, as the following quote demonstrates:

*My previous life has left me with many contacts, both in the military and in politics, both in the UK and also overseas. I think we can be fairly certain that many of the companies to which I now give my services were very interested in those linkages.*

**NED 18 Joe**



The Non Executive Directors believed that they were able to offer useful insights and perspectives into events happening outside of the organisation. These perspectives ranged from information about complex technical issues, to understanding specific industries, to analysis of global economic power shifts and the likelihood of civil wars. The study participants perceived that the real skill came from being capable of translating these complex issues back to the specific organisational context within which they were employed as Non Executive Directors. The general consensus among those interviewed is exemplified in the next comment:

*Your contribution is unlikely to be an expert in the company's business, the mainstream, but it's trying to bring other influences and dimensions and so on into the company, and relate the company to its outside world.*

**NED 15 Martin**

#### **4.3.3b Role Experience: Providing External Connections**

As described above, providing external connections was cited by some Non Executives as the major reason for their appointment to the board; the study participants clearly expected that these connections would be in some way exploited by the host board. Interestingly, despite this expectation on the part of the Non Executives, there was general consensus that these connections were rarely exploited once the individual was in post. One Non Executive went as far as to offer to act as a 'roving ambassador' for the company in the rarefied circles in which he travelled. In his words the CEO and Chairman would say ""Oh! That's a good idea." but nothing ever happens"" (NED 10 Phillip). Another study participant described a fellow board member who had unique connections in an Eastern block country but

wasn't invited to attend or even informed when the executives went to visit many of the individuals whom he knew personally. Others described more positive results from these external connections as in the following excerpt:

*They (the organisation) organised and pulled off the capital campaign. I mean the staff were huge. There was no way you can suggest that they weren't, and so it was a team effort by any stretch. But the outside directors had the contacts. The staff people had the ability to follow up, but the outside directors had the contacts.*

**NED 9 Geoff**

Study participants who did report successful use of their skills often discussed their contacts with individuals within the host organisation; they described how formal channels of communication existed and board member away days were utilised to align the host company's strategy with the capabilities that the individual Non Executives could offer.

The study participants perceived that they were in a unique position to advise the company on a range of issues, relating to their personal skills and experience, in addition to providing external connections and insight. Many described the advantage they felt was gained by sitting on a network of boards. They believed that the skills they learnt in one organisation were often applicable elsewhere and in this way they were able to connect their boards to the external environment. This is described in the next example, which articulates the experience of many Non Executives in the study:

*I have always seen working on boards as a complement to the other work that I am doing in that it provides me with new experiences and opens me to situations in business that I would not otherwise encounter. I am often thinking about other businesses that I work with when I am in a board meeting and how what we are*

*dealing with there could be applied elsewhere. But it is a two way street obviously of course because of the executive role sitting at board level.*

**NED 17 Vicky**

The Non Executives believed that their perspectives tended to be different from those of the Executive board members, namely they were not dominated by the desire to make their annual bonus in quite the same way as the CEO and the Executive team. Despite this, the Non Executives did not perceive that their external connections were effectively utilised.

#### **4.3.3c Role Expectation: Representing Constituents Both Internal and External**

Some Non Executive Directors felt that part of their role was to relate the company back out to its constituents, particularly institutional shareholders, and then to take the views of those constituents back into the boardroom. These views are summarised in the following statement:

*Non-Executive Directors as a tribe, ought to be able to hear major institutional investors voice their concerns about the company, let's say once a year at a formal meeting, not just picking it up in social parties, so that the Non-Executive Directors can cram that into their own approach to Board matters more generally.*

**NED 10 Phillip**

One Non Executive Director provided an excellent example of how he felt that a Non Executive Director should present himself in the boardroom in this particular role:

*(they should) not only deal with the other board members, but occasionally go out to the external world and just see what is going on,... "I am a bit concerned, it looks like Wal-Mart's about to get into the wholesale grocery business; if they do it's going*



*to change it completely. I am reading about it in publications but we have never had any discussion at all about this.” That is where you get this protection to shareholders to say are we minding the business correctly.*

**NED 19 John**

#### **4.3.3d Role Experience: Representing constituents both Internal and External**

As discussed above, the Non Executive Directors who took part in this study expected to be able to confer with organisational stakeholders such as employees and institutional shareholders. However, analysis of the interviews revealed that although the Non Executive Directors fully expected to have some kind of access to these groups, access was, in fact, rarely made available to them. In the following example, one Non Executive reports his attempts to get to know the company's institutional investors:

*I said to him (the CEO) “What should I do about making myself known to him and getting to know some of the major institutional investors?” and he looked at me and his face froze and he said “You’re not to go near them” and I said “Why not?” and then our senior Non Executive Vice Chairman of the Board, said “Well this is a very touchy matter this, it could lead to all kinds of misunderstandings.”*

**NED 10 Phillip**

Despite their perceived lack of success in gaining access outside of the boardroom to other constituent groups, it also emerged from the data that the Non Executive Directors still perceived that spending time with internal stakeholders, particularly employees and customers, could have a profound effect on morale, making people feel wanted and valued within the organisation.

*If I have a Non Executive director go into a plant in the remote part of the State or they come into a customer office and they sit down in the phone centre with the management and they talk to them about issues, those are events that those people will remember for decades. And it reinforces principally a very important role. It's a*

*non-managerial role but it's still high policy role. It's not direct support as much as it is confirmation.*

**NED 1 Warren**

Although organised site visits may provide the Non Executive Director with very useful insight, there was a strong suggestion from the study participants that these visits were normally highly supervised and tightly controlled by the Chief Executive. One Non Executive who is also CEO of another company explained his perspective as a CEO on such requests for access:

*I just appointed two new non-executive directors, and one of the first things I've told them is they have complete contact with the executives. But, I would hope to be kept informed. Because I don't think you want them doing it but if they are, if they want to go and see a part of the business, they can do it with the executive who is responsible for that. I don't feel I necessarily have to be there. We know what's happening. Likewise with the executives, I encourage them to talk to the non-executives. But again I'd say to them, you know, keep me in the picture.*

**NED 6 Laurence**

Some study respondents described boards where a few employees would be chosen to attend board dinners. This, the Non Executives perceived, provided them with some limited insight into the abilities of those within the organisation:

*They take five or six employees to each board meeting to have dinner and have them sit with the board and chat to other board members. I think it gives the board members some feel for the quality of the people.*

**NED 5 Brian**

#### **4.3.3e Role Expectation: Giving Broad Perspective/Alternative View Point**

Several of the study participants expected that part of their boundary-spanning role would involve educating the Executive team about the organisation's wider

responsibilities, and how the behaviour of the board members and that of the organisation was perceived by outside constituencies.

The expectation among those who took part in the study was that Non Executives should be able to take a broader view and see beyond the short-term profit-oriented demands confronting the CEO and the Executive team.

*I do believe that a social element is needed in order to do the best job for your customers, the corporation you're with, or whatever; you have to look at the broader picture. I think those who have that realisation are more inclined to have viewpoints in board meetings, to have or foster or to encourage a broader social view.*

**NED 12 Ruben**

#### **4.3.3f Role Experience: Giving Broad Perspective/Alternative Viewpoints**

The above analysis identified that the Non Executive Directors expected there to be differences in the boardroom between their own perspectives and those of the CEO and the Executive team. The Non Executive Directors perceived that they would be able to bring a broader, more long-term strategic perspective into boardroom deliberations. Analysis of the research revealed that this does appear to take place. In the following account a Non Executive Director, who also works as a CEO elsewhere, recounts the difference in his own approach across the two different roles, as follows:

*I think it's fair to say that there is an undue amount of pressure and focus on short-term results. I can tell you as a CEO that I feel like my responsibility is far beyond the current quarters. But I feel that the current quarters are the mile markers. You know the milestones that are important indicators as to whether or not the strategy is being validated or not. As a board member, on the two boards that I sit, we typically focus on longer-term issues. We think in terms of years as opposed to quarters. So*



*one, two, three year, sort of horizons, and every once in a while we'll think even longer term.*

**NED 11 Barry**

One Non Executive talked at length about the growing desire among boards to provide guidance regarding corporate responsibility issues to their organisations and how he felt that this momentum was spreading through Non Executive Directors from one organisation to the next:

*I won't say networking, but that's just it. It multiplies in the community. So I think it is important. And I think it is growing. I think there is more of a definite feeling for more than just making a profit developing.*

**NED 15 Martin**

The data suggest that Non Executive Directors have a dual role in developing responsible corporate practices. Firstly, Non Executive Directors may encourage ethical practice through their own primary understanding of constituent needs, and secondly, they may learn new behaviours and strategies from their peers whilst working in the boardroom which they can then transplant elsewhere. This is highlighted in the next comment:

*It's really best practice sharing. I take things back from those meetings that I put to work here.*

**NED 11 Barry**

#### **4.3.3g The Need for a Business Case**

Interestingly, it also emerged that despite the study participants' understanding of the importance of a wide range of organisational constituents they also revealed that

they believed their responsibility as a Non Executive Director was almost exclusively to shareholders.

*The shareholders, they are the most important group, why else is the business there... This company has been around for 25 years. They are profitable but not in a dot com kind of way. They are very stable - the people who invest are in it for the long-term for a reliable return. It's a certain kind of investor that invests here. I guess there are also the employees but really it's the investors isn't it?*

**NED 8 Thomas**

The study participants believed in the primacy of the shareholder. They also believed unilaterally in the importance of using the 'business case' in all organisational decision-making. There was a strong expectation amongst the study participants that all boardroom decisions should have a solid grounding in the long-term financial success of the organisation. The following comments highlight this expectation:

*I think that there needs to be a business case. I don't think that organisations are there simply to serve the public. But I think that, I think there is some advantage to be gained from being responsible.*

**NED 11 Barry**

*Most issues which involve corporate responsibility are considered like any other decision and taken on a purely business case.*

**NED 9 Geoff**

#### **4.3.3h Balancing Demands: Short- vs. Long-Term**

Despite the willingness of some Non Executive Directors to encourage long-term strategic and social thinking within the boardroom many reported resistance, particularly from the CEO who, as predicted by the Non Executives themselves often found it difficult to appreciate the value of strategies that did not provide swift

financial returns. The Non Executives perceived that they were sometimes faced with a dilemma themselves when it came to balancing the long- and short-term because of the way in which their own remuneration packages were arranged. The following quote highlights the perceived tension between long-term sustainability and short-term profitability:

*The board has to have that viewpoint (long-term) and be willing to stand up to shareholders and say, you know it's best for the company not to have the gain rate now. And that's where a CEO really needs some protection from the board. Unfortunately the boards, many times, want the short-term gain too because they have the stock options or the stock.*

**NED 12 Ruben**

There was a general consensus amongst all those who took part in the study that the organisation's main (if not only) responsibility was to its shareholders. In spite of this view there was also a perception that the primacy of the shareholder was rapidly shifting. The Non Executives perceived that they were now expected to take a much broader constituent approach than they had had to do previously. The next two excerpts discuss the changes that the Non Executives have become aware of in their role as board members:

*I'm sure boardroom tables today will envy their forebears that could so clearly just keep their shareholders in mind and just steam towards that point, increased dividends, and capital appreciation of the equity that was the single goal. No more, but how simple it was.*

**NED 7 Jane**

*There was no discussion of anything other than the financial impact of something. I guess if reputation came up, I can only once remember employees being mentioned, in ten years in that boardroom....in a rare moment of Non Executive intervention that was effective (someone) asked what effect on unemployment that would have in north-east Scotland. And nobody knew.*



#### 4.3.3i Balancing Demands: Reputation

A strong perception emerged from the study participants about the importance of maintaining corporate reputation. However personal reputation was also perceived to be very important to the Non Executives. Personal, reputational issues made the Non Executives much more sensitive to factors outside of the organisation, which might affect their standing as good board members and therefore their own future employment opportunities. The holistic nature of reputation, in turn, led the Non Executives to believe in the importance of corporate social responsibility particularly in relation to an organisation's employees and customers - 'licence to operate' was a term that arose on a number of occasions. The difference that the Non Executives expressed between their own understandings of the responsibilities of the organisation and the views which they perceived to be held by the CEO are highlighted in the next passage:

*Well, the minute you talk corporate social responsibilities, the average CEO wants to be sick in his hat. He sees it as a break shoe, sees it as an impediment, whatever you're going to tell him about it, it's going to be an impediment to profit. It means you can't go mine at three cents an hour in Papua New Guinea or wherever. Mostly it's not in their nature to consider that the company has a role in society, other than to reward shareholders, give them that simple objective and they can understand that.*

NED 7 Jane

#### 4.3.3j Balancing Demands: Profitability

The apparent difference in perspective between the Full-Time Executive and Non Executive board members appears to have resulted in an almost unanimous dislike

for the actual term “corporate social responsibility”. The Non Executives perceived the term to be unclear and lacking in a workable definition, this is highlighted by the Non Executive in the following example:

*Corporate social responsibility is a horrid term, I suspect it'll keep evolving....in the new company we are going to have a committee, a board committee that looks at this area, we are not going to use CSR as a title.*

**NED 15 Martin**

This confusion about the meaning of the term corporate social responsibility emerged as stemming from the Non Executives' understanding that the role of the Board is primarily to protect the shareholder. Hence, unless a business case can be clearly presented for corporate social responsibility it becomes a route for, as one Non Executive put it, “giving away company profits”. The language of risk to reputation emerged as being more commonly used in the boardroom and a number of Non Executive Directors felt this was a language that was much easier for them to understand and act upon.

*This was a good example of something that we were doing for social responsibility, but I told everybody “Make no mistake about it this is not a social project. This is a project, we are going to increase our market share and that is what this is all about.”*

**NED 20 Arnie**

One board went as far as to call their corporate social responsibility committee, the committee for risk and reputation. By using this term board members were able to discuss corporate social responsibility issues as hard ‘financials’ rather than as a soft difficult-to-pin-down problem.

### 4.3.3k Balancing Demands: Language

When first discussing issues of corporate social responsibility with many Non Executives, it appeared that this ‘financial speak’ led to social responsibility issues being marginalised, or left off the agenda completely. However as interviews progressed, it became clear that although such issues were not discussed at a moral or ethical level, they were certainly discussed in terms of risk to reputation. Indeed the Non Executives perceived that the sheer complexity of the issues facing many of the large organisations with which the study participants worked, forced the debate more into that of reputation as is expressed in the following passage:

*You cannot put mange tout in (the supermarket) if they have been picked by children of six with blisters on their feet. Your customers don't want to know about all this, but if they were to know about it they would be deeply unhappy. "And that's an ethical issue," we said. And they said "Don't give us ethics. What are ethics? What's right? Those children might be supporting orphaned siblings." Quite right they were. So, we knew the issues were complex, but put it in terms of risk to reputation and they can deal with it.*

**NED 7 Jane**

It also emerged that the Non Executives perceived that once a reputation for being a responsible company was established, board members fought very hard to protect and nurture it. In the following example a Non Executive from a company with a long history of social action describes his perception:

*You want to protect it (reputation) and therefore our target is to stay in the top quarter, not to be the top.*

**NED 6 Laurence**

Additionally, the study participants perceived that the use of reputation made certain ethical decisions straightforward. Some Non Executives related the case of Johnson



and Johnson, where the decision was made to remove all products from the shelves after a sabotage incident led to worries about contamination. The study participants perceived this as “a decision that made itself”. The reputation of the company as a good and ethical provider of a safe product made the decision an easy one, there was only one “right thing to do”.

*Sure you're in business to make a profit, sure you're in, but you're also in business to stay in business and to contribute to society with a product, with more than a product, you have a social obligation as well.*

**NED 12 Ruben**

The Non Executives also reported that several of their companies were in the process of setting up board level committees to deal with issues of corporate social responsibility, mainly at the behest of Non Executive Directors who brought experience of the importance of these issues from outside the organisation.

*The board is run in an extremely serious fashion. It discusses a lot of issues. It was one of the first boards anywhere to set up a committee on safety towards the environment, a particularly sensitive area and just takes it very, very seriously*

**NED 18 Joe**

The study participants explained that most committees dealing with issues of corporate social responsibility were not formally referred to as corporate social responsibility committees, but rather tended to contain words like ‘risk’, ‘reputation’ or ‘safety’.

*We don't have a committee called that (CSR), we have a remuneration committee and an audit committee, oh yes we do have a risk committee.*

**NED 8 Thomas**

*We're going to call the new committee, the risk and responsibility committee. Because we've got to look at it, and my attitude is, since I'm on the chair of that committee, is that the agenda should be driven off what are the risks, and particularly the non-financial risks to the company, and a lot of them are licence to operate, reputational risk and so on, some of them are more immediate risks, so safety will be the number one, probably the number one item on the agenda of every meeting.*

**NED 15 Martin**

#### **4.3.31 Role Experience: Networks to Enlightenment**

Analysis of the interviews revealed that despite the lack of enthusiasm emanating from the CEO and the Executive team for social policies, when the Non Executive Directors acted as a team and worked together to show how important an issue was, they could have a serious effect on the strategy of the organisation. In the following narrative a Non Executive working on the board of a global manufacturing company describes how he and his fellow Non Executive Directors forced the Board to recognise the importance of wider issues:

*A number of us have been feeling, myself for one, but also to take another case in point, our senior Non-Executive Director, ...that we were not giving sufficient attention to this as a growing area of concern for investors and indeed governance and indeed the public more generally in the age when the globalisation of capitalism is under fire and it was actually quite interesting, again, the initial reaction by the Board, including I would say the Chief Executive, tended to be more "This is kind of froth, you know, this is all a complete blind alley, this corporate social responsibility, this is not what business is about, it's one of these elaborate con tricks." And most of the Non-Executive Directors said "No, wrong, we do have to pay attention to this, it is a growing area and we need to get our act a bit more convincing."... So what you had there is a growing importance being attached at least to the public perceptions of (company name) taking seriously corporate social responsibility and in fact I think that is translating into, you know, attitudes more generally in the company.*

**NED 10 Phillip**

From this account also emerges the discovery that, when individuals who sit on the boards or work closely with these already “enlightened” companies, they appear to bring that knowledge and enthusiasm into the host organisation and educate the other board members of its benefits. It appears to be within these companies that board level social responsibility committees are being established.

#### **4.3.3m: Role Experience: Mutual Benefits of Boundary Spanning**

It emerged from the data analysis that many Non Executive Directors were not only able to offer contacts and good practice skills to the host organisation, they were equally accruing these skills themselves from those around them in the boardroom, and then taking them back to employ in other organisations for which they worked.

*I have been impressed and to be honest I have already started to apply it elsewhere, even down to some quite subtle things like watching the behaviour of the chairman, things that I hadn't thought of before but I see how well they work and I am using them in many of the companies I work with now.*

**NED 8 Thomas**

*It's as tactical as creating contacts for them to explore specific issues or opportunities, and it's as strategic as, you know one was considering offering some sort of special financial services to help facilitate the sale of hardware and it's something that we had been involved in at (company name) for 6 or 7 years relative to the sale of computers. And so I put our team in contact with their team to discuss whether or not there's a crossover here and you know can they leverage our knowledge there, so, those sorts of issues. I take things back from those meetings that I put to work here.*

**NED 11 Barry**



These examples illustrate powerfully the complex nature of the boundary-spanning role. Not only are the Non Executives able to offer help to the host board from their own companies but they also describe learning in the host organisation and taking that back to their own organisations. The individual in the final preceding quote went on to explain exactly why, as a full time CEO, he makes the time to also work as a Non Executive Director:

*Every meeting I come back with a list of notes of things to either suggest or look into. So, you know, the whole rationale for me of, why would an active CEO sit on the boards of other companies? The whole rationale for me has to be because it makes you a better CEO and allows you to do a better job for your shareholders.*

**NED 11 Barry**

#### **4.3.4 Summary Section Three**

Emerging from the data was a significant gap between the Non Executive Directors' expectations of their role and their actual perceived experience. For example, study participants expected that they had been employed because of their previous skills experience and connections to the outside environment. Many however discussed their perception that these skills were not being properly utilised by the board. This left some individuals feeling frustrated and disconnected from the role set. The study participants had expected to be in a powerful position to influence boardroom and wider organisational behaviour but, instead, experienced feelings of powerlessness and dissatisfaction.

It was perceived that powerful individuals, both in term of reputation and support within the group, were most likely to be successful in making a contribution to or

changing corporate practices. Many individuals perceived that their contributions were ignored; particularly the women in the study, and this caused them to feel disempowered and alone within the role set.

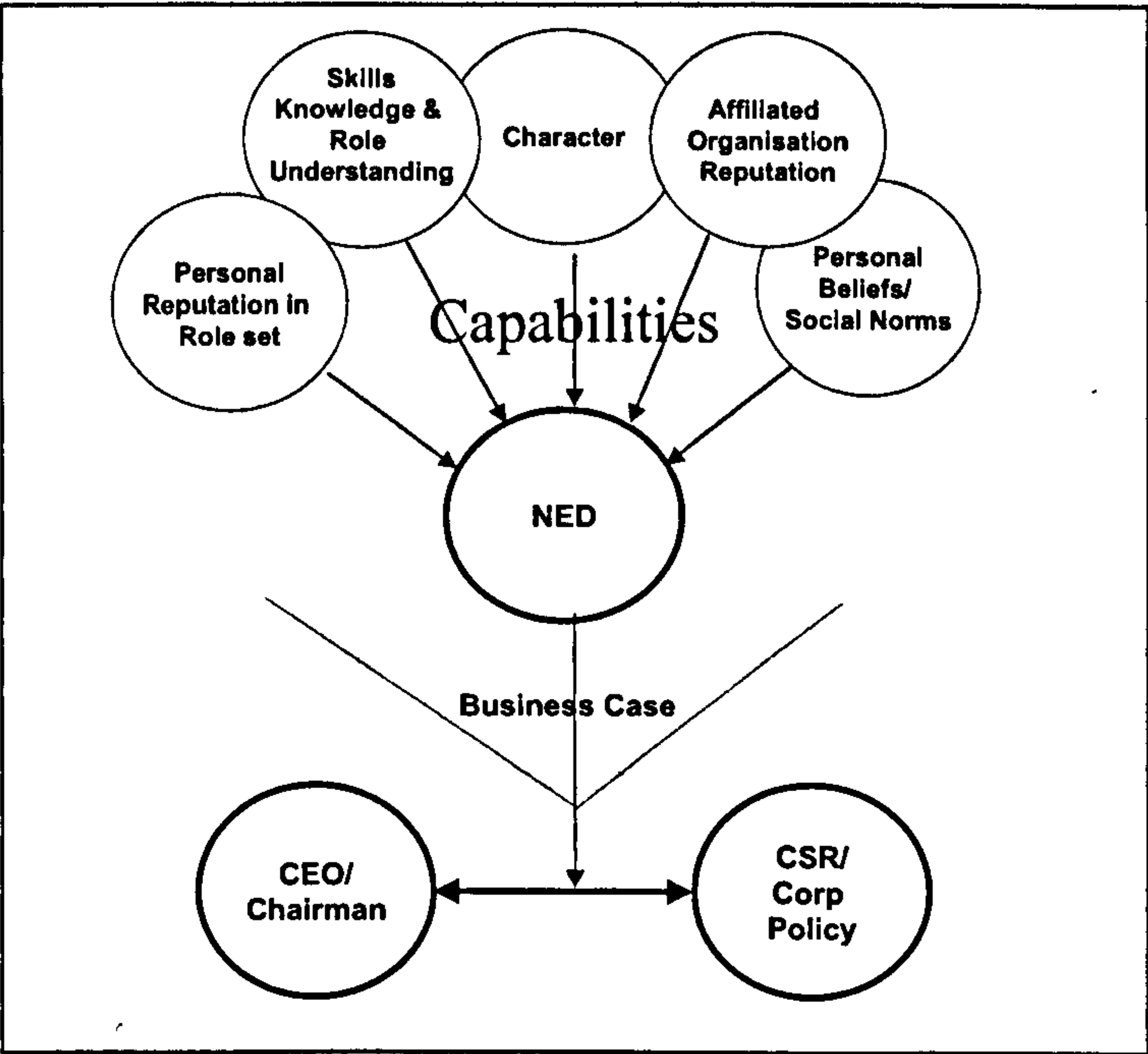
The following model exemplifies the effect on the Non Executive contribution of boardroom culture. The model shows how the Non Executives' personal capabilities in terms of skill, experience and reputation within the role set, allow them to partially fulfil their role. However, the Non Executive's propensity to effectively optimise their role requires a cultural environment within the boardroom which supports mutual action and uninhibited information flow; the individual needs to feel supported and valued by the whole group starting with the CEO and Chairman.

The analysis also suggested that the Non Executive Directors were sometimes able to play a role in influencing corporate responsibility. This appears to be achieved when they are able, through their personal capabilities in terms of past experience, reputation and standing in the group, to influence the behaviour of the CEO and Chairman. Typically, those individuals who were associated by the group with issues of responsibility through their work elsewhere assumed leadership in such issues; others with less experience in the issue then became confident enough to enter the debate.

The Non Executives' personal understanding of their role as custodians of the shareholder, typically caused them to encourage the use of a "business case"

approach when making decisions. Figure 4.6 below illustrates the Non Executives' contribution to corporate responsibility issues. The model depicts their role in corporate responsibility as being that of influencer rather than decision-maker. They appear to try to influence the behaviour (set the tone) of the CEO and Chairman in corporate responsibility issues as opposed to those issues being brought to the Non Executives for approval by the Executive Team:

**Figure 4.6 Ability of Non Executives to Effect Corporate Responsibility**



Source: Compiled by the author

The following sub themes emerged from the analysis concerning the perceived gap between role expectations and role experience:

1. The Non Executives had expectations of three main characteristics, which they believed formed the basis for their role. These were controller,



archetype and boundary spanner. The study participants' actual experiences of the role were often misaligned with these expectations as follows:

- a. Individuals expected that they would have a certain degree of power over boardroom proceedings but in fact found that they often felt intimidated and powerless.
- b. Individuals expected that a major part of their role was to "hire and fire". Many reported that in reality the Chairman and CEO controlled job appointments with little discussion. However when the Non Executives worked as a cohesive team they were able to make a "difference".
- c. The Non Executives discovered that they often lacked the requisite understanding of complex organisational issues necessary to always adequately control the Executive Team.
- d. The Non Executives perceived that part of their role was to patrol the Executives' behaviour but discussed the difficulties that they experienced in trying to balance patrolling, with their role of mentor and advisor.
- e. The Non Executives perceived that they were able to act as role models to the board by mentoring and encouraging best practice, and through this set the "tone" for the wider organisation.
- f. The study participants perceived that part of their role was to encourage best practice; some had personal agendas such as encouraging greater board diversity. However, some Non Executives reported not following through with their ideas because they feared that their suggestions might be trivialised by other board members.

- g. The Non Executives expected that the board should deal with high-level strategy. However, individuals often felt frustrated because meetings became too operational.
- h. Some Non Executives discovered that their main value was outside of the main boardroom acting as an “offline advisor” to the CEO.
- i. Many study participants felt that their attempts to make changes had been ignored; this left them feeling isolated and frustrated.
- j. Some Non Executives perceived that they had been employed because of their external connections, but that these connections were rarely (if ever) used by the host organisation.
- k. The Non Executives perceived that a critical part of their role was to act as a link for the organisation between its internal and external environment. Despite this, the study participants often felt that they were being excluded by the CEO and chairman from making outside connections, particularly with shareholders.
- l. The Non Executives expected to have good access to organisational constituents, but their actual experience was that access was not made available to them. When access was granted it was highly controlled by the Chief Executive.
- m. When Non Executives did manage to access employees they perceived that this had a positive effect on employee morale.

In addition to the emergence of a misalignment between the study participants’ role expectations and their actual experience of the role, several other sub themes

emerged from the analysis of the Non Executives' perceived role. These are summarised below:

1. The study participants believed that they accrued skills in the Non Executive role that they were then able to practise elsewhere. However, some individuals argued that boards often spread bad management practice as well as good practice, presumably because of a lack of education.
2. The perception of power in the individual, in terms of reputation and/or influence, is often crucial if the individual wishes to instigate change.
3. The Non Executives perceived that their perspectives tended to be different from those of the Executive board members, that is to say they were not dominated by the desire to make their annual bonus in quite the same way as the Chief Executive.
4. Many Non Executives believed that there was a growing importance being attached to corporate responsibility issues in the boardroom. Despite this, most believed forcefully that their primary responsibility was to shareholders only.
5. When Non Executives learn good corporate responsibility practices in one organisation they are likely to transfer it into others. They did not, however, like the term corporate social responsibility (CSR), which they associated with "giving away profits". They generally perceived that it was necessary to prove a business case for all projects.
6. The language of risk and reputation provided a more useful vehicle for the board to discuss issues of corporate responsibility.



7. There was a perception among the Non Executives about the importance of maintaining corporate reputation. This they linked to their personal reputation, as any bad publicity in their organisation was likely to affect their long-term earning capacity.
8. Moving a retiring CEO into the position of Chairman can antagonise the feeling of powerlessness and disengagement among the Non Executives.

In summary, the emerging outcomes of the analysis of this theme suggest that Non Executive directors perceive that they should have a valuable role. However, the study participants often encountered large gaps between their expectations and their role experiences. This led to high levels of frustration and sometimes alienation from board proceedings.

The Non Executives believed that they had an important role to play in ensuring corporate responsibility. Study participants perceived that their understanding of the organisations' long-term goals differed from those of the Executive, who, they argued, tended to be motivated more by short-term profit. Nevertheless, the study participants' understanding that their main responsibility was to shareholders guided them always to look for a business case in projects before they were accepted. Table 4.3 encapsulates the themes emerging from this section of the analysis:

**Table 4.3 Summary of Emerging Themes Section Three**

Theme	Expectation	Experience
Controller	Influential	Limited power unless highly regarded by peers
<i>Hirer and Firer</i>	Power with NED's	Power with CEO/Chair
<i>Patroller</i>	Encourage openness and honesty	Information difficult to understand or unavailable. Complex balance between controller and mentor
Archetype	Role Model	Limited depth of involvement  Restricted influence
<i>Strategic Guide</i>	High level strategy	Overly operational focus
<i>Setting the tone</i>	Encourage responsible behaviour throughout organisation	Try to encourage the "right thing to do"
<i>Mentoring/advising</i>	Provide friendly advice to Executives	Off line advisor Frequently feel disregarded
<i>Encouraging best practice</i>	Go beyond the law	Personal agendas May influence if held in high regard by peers. At times encourage bad practice
Boundary spanner	Provide external competencies	Rarely encouraged to use external skills
<i>Relating Internal &amp; External Environments</i>	Translate complex issues back to the organisation	Provide alternative perspective/bring new insight through work with other boards
<i>Providing external connections</i>	Exploit external connections to the benefit of the organisation	External connections inadequately exploited
<i>Representing constituents both internal &amp; external</i>	Ally to shareholders	Discouraged from talking to shareholders Improve org. morale through occasional contact with employees
<i>Giving broad perspective – alternative view point</i>	Encourage long-term perspective	Encourage long-term practice through the "business case" Observe and transplant responsible practices Encourage positive reputation

**Source:** Compiled by the author

#### **4.4 Chapter Summary**

Many themes have emerged from this analysis of the role and contribution of the Non Executive Director. Clearly their ability to provide any kind of contribution is heavily influenced by the nuances of the boardroom environment in terms of their own and their colleagues' experience, ability, personality and the overall culture of the specific boardroom.

In particular, the Non Executives' level of contribution was perceived by the study participants to be affected by the behaviour of the Chairman and CEO, as well as the perceived power and reputation of the individual Non Executive within the boardroom role set. In addition to these factors the Non Executive Directors' ability to influence corporate responsibility issues appeared to be further influenced by their roles outside of the organisation through the network of organisations and individuals with which they boundary span.

It emerged that many Non Executives felt poorly equipped to fulfil their roles within the boardroom; several study participants reported feeling intimidated by other members of the boardroom role set, in particular the CEO and Chairman of the Board. The complex nature of large organisations made understanding some issues difficult. Their ability to understand organisational issues was further impeded by what they perceived to be information barriers between themselves and the rest of the organisation, as well as personal barriers between themselves and other members of the boardroom role set.



The Non Executives reported feeling isolated, with no one to turn to when they felt unsure about an issue. The study participants were frustrated by the lack of feedback and training opportunities made available to them. The Non Executives frequently had to rely on others within the boardroom to understand issues which they themselves did not understand, which sometimes led to issues going unchallenged by the board. The personal characteristics of the average Non Executive were perceived by the study participants themselves as preferring to hold alpha roles within the team and having large egos, which appeared to make it difficult for them to speak up when they did not understand, or disagreed with an issue because they feared ridicule by the rest of the group.

The Non Executives perceive that because they were not tied to short-term profits to the same degree as the full-time Executive Board members they were, as a result, able to take a broader more long-term perspective. The study participants believed that part of their role was to educate the board about wider issues. However, it emerged that Non Executives also believed that their primary (if not singular) responsibility was to the organisations' shareholders. With this in mind, the Non Executives were predisposed to influence corporate responsibility practices through the shareholder lens by encouraging the use of a business case approach when decisions had to be made, and by considering risk and reputation rather than simply "social good".

In the next chapter we will return to the literature for a deeper analysis of the findings presented here in chapter four.

## **Chapter Five: Exploring the Emerging Themes**

### **5.0.1 Introduction**

This chapter develops the key emerging themes that were first presented in chapter four. The purpose of this chapter is to explore the individual perceptions of the Non Executive Directors who took part in the study, and relate these back to existing theory. The complex analysis presented in chapter four will be further developed, whilst still using the Non Executive Directors' own words to illustrate specific instances in order to preserve their original meanings and perceptions of their role and contribution.

It is generally accepted that interpretive research poses a difficult challenge for the academic researcher in that, unlike positivistic approaches, its characteristics are more complex (Easterby-Smith et al., 1991). Ensuring the transparency, logical sequence and development of evidence in the presentation of the research data is a key factor in overcoming such criticisms (Scandura and Williams, 2000). Allowing the external reader a clear picture of the route a researcher has taken in drawing their conclusions is important (Miles and Huberman, 1994). Therefore the design of this chapter will build on the complex analysis presented in chapter four, to explore the key emergent themes identified in the in-depth analysis.

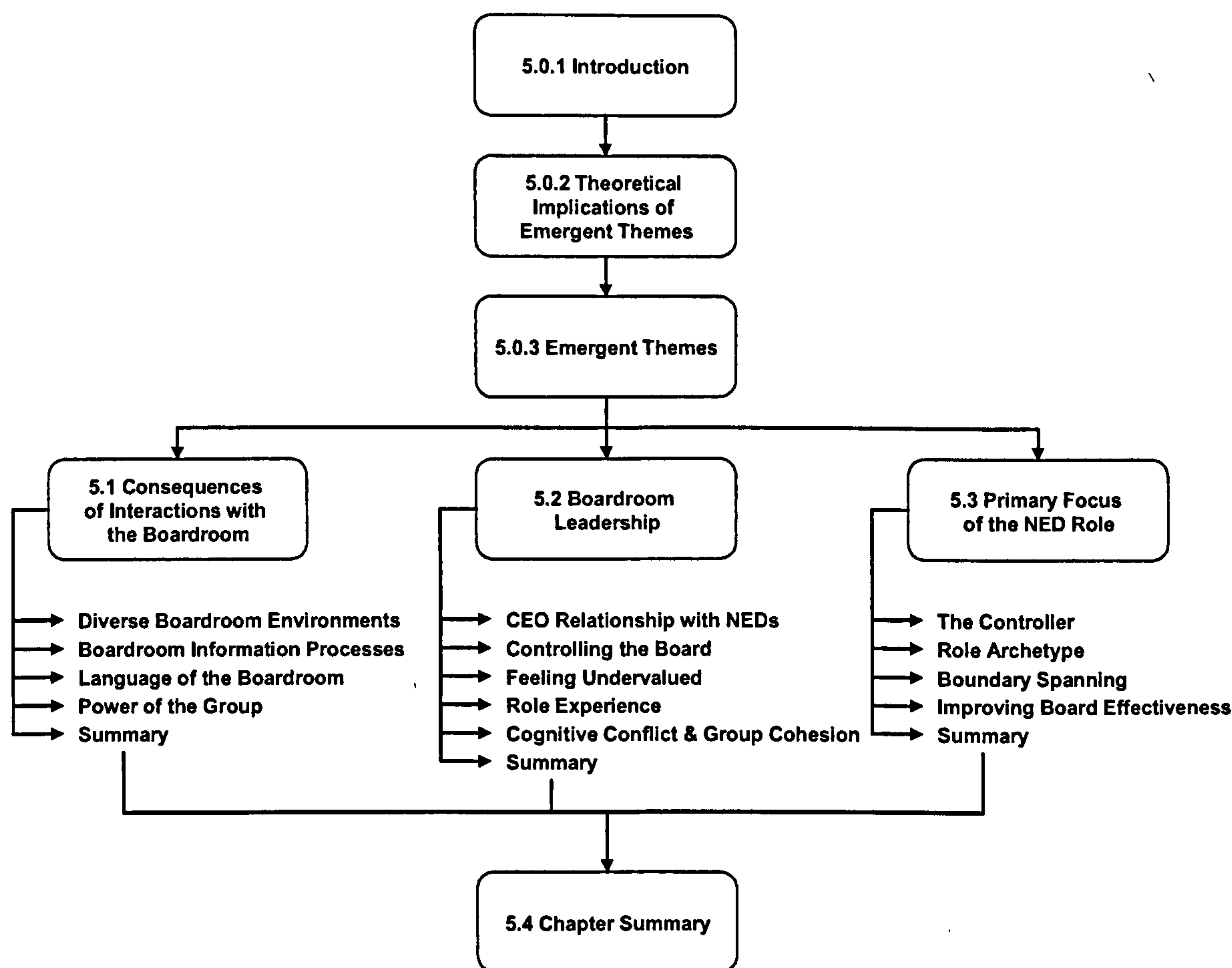
Due to the integrative and contextual nature of the study the theoretical underpinnings of the research span a number of established research fields. The aim of chapter five will be to provide an indication of the contribution of this study to



existing theories in terms of supporting, challenging or adding to our current knowledge.

An important remit of this research was to gain an understanding of the role of the Non Executive Director in influencing issues of corporate responsibility. It is argued that understanding the dynamics of the Non Executive's ability to influence corporate responsibility issues comes through an understanding of the overall ability of the Non Executive Director to make a contribution, within the context of the boardroom environment. Therefore, as in chapter four, in the spirit of integrative research, this issue will be discussed within the context of the emergent themes as opposed to as a separate concern. The integrated design of this chapter is illustrated in figure 5.0.

Figure 5.0 Outline of Chapter 5



Source: Compiled by the Author

**5.0.2 Theoretical Implications of the Emergent Themes**

The very nature of the methodology used in this research has produced a study with many possible avenues of investigation. The purpose of such an open approach was to explore as broad a perspective as possible; this was considered particularly appropriate, given the largely uncharted nature of the phenomenon (Pettigrew, 1992). A narrower perspective may not have uncovered the many contextual nuances of the Non Executive Director’s role, would have narrowed the possible routes of enquiry and may not have provided a satisfactory answer to the research questions. Under different circumstances and using different respondents, the

results of this research might prove to be quite different. Further studies are required before a more generalisable theory can be developed.

### **5.0.3 Emergent Themes**

Chapter four identified three key emergent themes from the comprehensive and complex analysis of the perceptions of the study participants, these were as follows:

1. Non Executive Director's role set interactions.
2. Non Executive Director's relationships with the Chief Executive Officer and the Chairman of the Board.
3. Non Executive Director's primary role focus.

Within each of the above themes there were a number of sub themes that further explain the dynamic nature of the Non Executive Director's role and contribution. In order to preserve the clarity of the research process for the reader, these three themes will now be briefly reintroduced.

In section one, theme one explores the Non Executive Directors' perceptions of the effect of the nuances of their Boardroom role set upon their ability to make a contribution. Two types of interaction were identified in chapter four: formal interaction governed by the normative conventions shaped by members of the role set, and individual interaction based on relationships with and perceptions of individual members of the role set. The Non Executives voiced feelings of insecurity and intimidation. The study participants discussed their discomfort about speaking



out when they did not understand or perceived that a strategy was wrong. The Non Executives described their fear of being ridiculed by the group and their perception that others within the boardroom also kept quiet because of their 'oversized egos'.

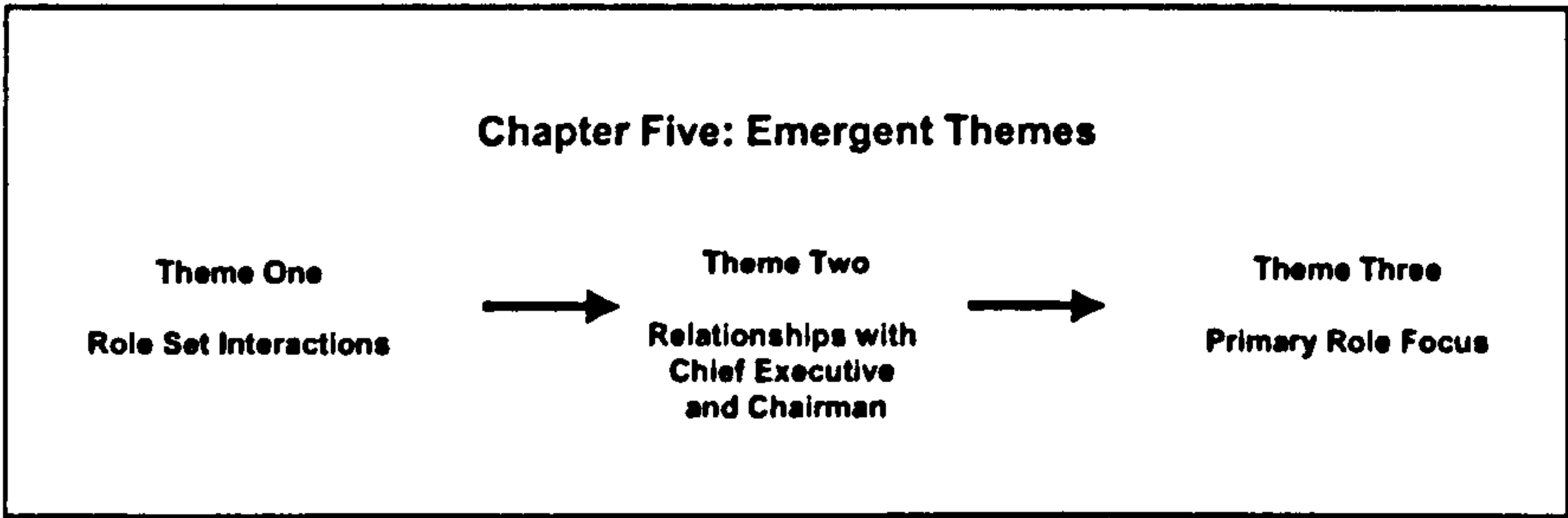
In section two, theme two reflects the effect of the Non Executive Director's contact with the Chief Executive and Chairman on their individual role and contribution. Emerging forcefully from the data was the Non Executives' perception of the importance of their relationship with these two key players. Many Non Executives discussed circumstances where they had felt intimidated and undervalued by the Chief Executive and Chairman. Successful Non Executive contribution emerged as being strongly correlated with the ability of both the Chief Executive and Chairman to provide a positive environment for the Non Executive.

In section three, theme three represents the individual Non Executive Director's subjective understanding of their primary role within the boardroom. Chapter four identified three key role characteristics of the Non Executives; the controller, the archetype and the boundary spanner. The study participants discussed their perception that their skills were not properly utilised by the board. Furthermore, analysis of the interviews revealed many large gaps between the expectations of the study participants and their actual boardroom contribution. Many study participants perceived that their contributions were ignored, thus causing them to feel disempowered and alone within the boardroom role set. It emerged that the study participants perceived that for a Non Executive to successfully influence boardroom

behaviour, required an individual with strong personal capabilities, as well as the support of the boardroom role set.

The rest of this chapter will be divided into three parts. These three sections each address an individual theme along with its implications in terms of supporting, challenging or adding to our current knowledge. Following each section the analysis will summarise the outcomes of the preceding analysis and draw some initial conclusions regarding the emerging phenomenon. Additional discussion of these themes will then take place in chapters six and seven. A summary of the themes that will be discussed in the remainder of this chapter is presented in table 5.1 below:

**Figure 5.1: Emergent Themes**



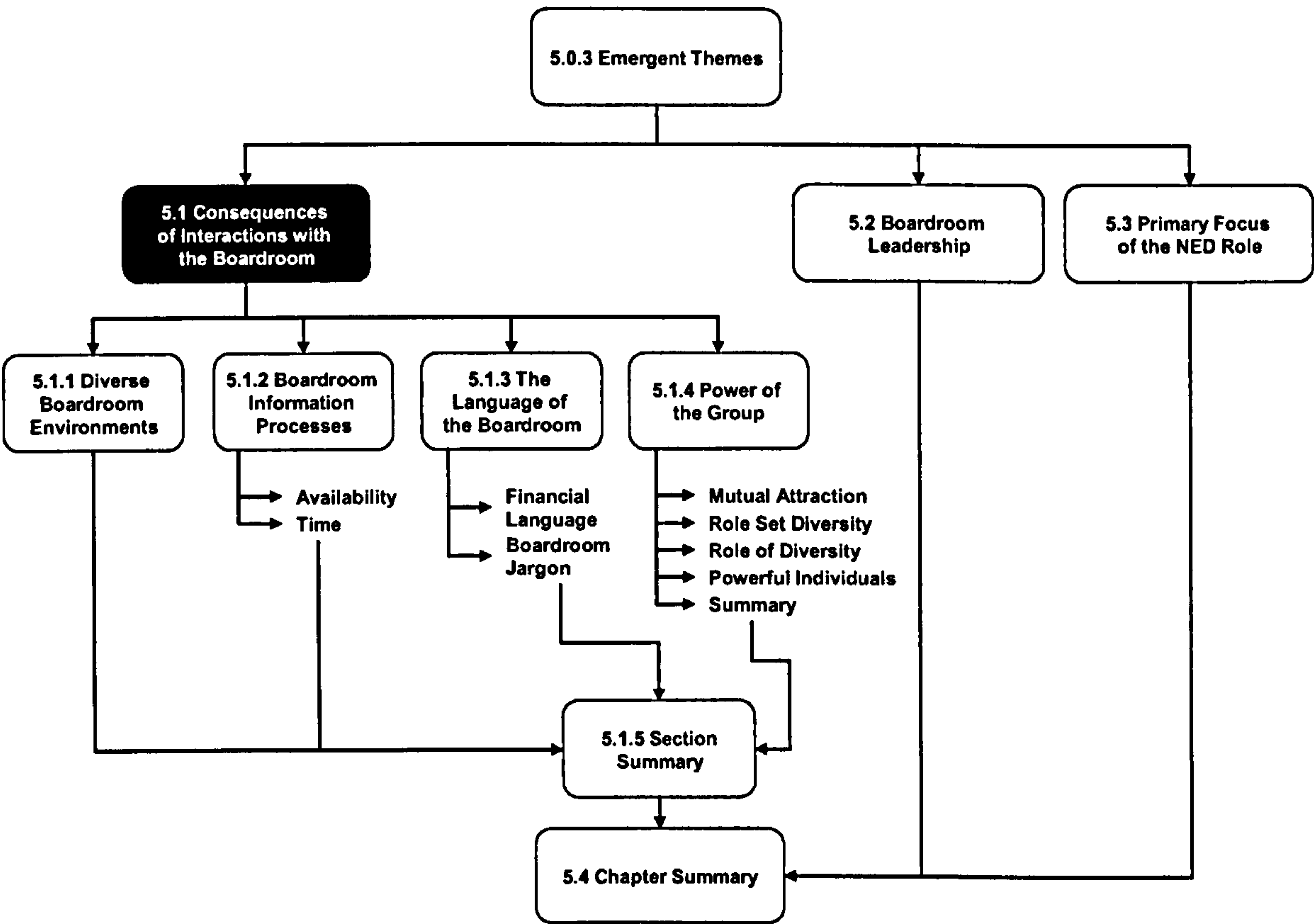
**Source: Compiled by the Author**

**5.1 Section One: The Consequences of Interactions Within the Boardroom**

In order to understand the behaviour of the Non Executive Director within the corporate board, it is first useful to understand the relationship that the individual perceives he has with others within the group. Many theorists have called for research which explores the contextual variables within the board of directors but few studies to date have explored it (Letza et al., 2004; Kakabadse et al., 2001;

Dalton et al., 1999; Forbes and Milliken, 1999; Pettigrew, 1992). The integrated design of this section is illustrated in figure 5.2 below.

Figure 5.2: Section Layout



Source: Compiled by the Author

In the following section, the emerging themes from the analysis presented in chapter four will be discussed and related back to theory, in order to facilitate better understanding of the dynamics which influence the Non Executives’ role within the boardroom team environment.

Some of the research presented here relates back to studies based on small groups. Boards differ from other organisational work groups in terms of size and most of the



work groups which have been examined previously average five or six members (Forbes and Milliken, 1999). However, Boards of Directors average thirteen members (Monks and Minnow, 1985) and unlike most work groups they only operate episodically. Full board meetings may only be held as few as seven times a year (Monks and Minnow, 1985). Further, most work group members are full time members of the organisation whereas boards are made up primarily of part-timers making the relationship of directors to the board one of only 'partial inclusion' in the organisation (Weick, 1979).

#### **5.1.1 Diverse Boardroom Environments**

The study participants perceived that all boards are different, in terms of their group personalities, processes and size; which is in line with the findings of Kakabadse et al. (2001). This theme is exemplified in the next quotation:

*Every board, completely different, very unique and some are social, some are almost anti-social, some pure business others less so. You've got some boards that are not a function of efficiency. You have boards that are a function of necessity or you have conflicting investors, and you have contentious environments where you have almost antagonistic type directors - I don't get involved in any of those.*

**NED 1 Warren**

Kakabadse et al. (2001) in their study found that because of the unique nature of each board environment the learning curve for new members was extremely steep. This is borne out in the findings of the current research. One very experienced study participant believed that it could take some years before a Non Executive could truly begin to understand the workings of an organisation.

*I probably think you've got to really be on a board a minimum of three years before you are really confident to say you know the business. But probably the most effective directors are very often those who have been there longer than nine.*

**NED 6 Laurence**

Despite the perceived inconsistencies between different corporate boards, many study participants reported facing the same kinds of issues and pressures in their boardroom roles.

### **5.1.2 Boardroom Information Processes**

Lorsch and MacIver (1989) suggested that CEO's might try to use the boardroom agenda to minimise dissent amongst other members of the board. This current study highlighted the suspicion that many Non Executives felt, regarding the use by CEO's and Chairman, of board meeting agendas to control outcomes and limit the discussion of contentious issues. The study participants described how agendas were sometimes manipulated by using time constraints, putting contentious issues at the end of the day when people wanted to go home and by limiting the prior availability of information (or sending out copious amounts of data) on agenda items. This finding of the current research confirms Pass's (2004) proposition that it may be difficult for Non Executive Directors to make informed decisions because of "lack of information, misinformation and cover-ups" (Pass, 2004: 59). The following excerpt highlights the problem that the study participants perceived they sometimes faced when trying to make a contribution in the boardroom.

*They time the agenda, what I have seen done by design, is that anything that is real controversial gets pushed to the end. So your plane is ready to leave so they can push something through. So you don't focus on it.*

**NED 3 Liza**

For many study participants their main concern about the agenda was bad management. Although the Non Executives clearly felt that the agenda was used on occasion to purposefully manipulate outcomes, the Non Executives were also highly frustrated by simple bad agenda management and the poor transmission of information prior to board meetings. Many study participants described how meetings became too operationally focused; they also described the frustration that they felt when discussions became unfocused and dragged on for too long. This is highlighted in the next excerpt.

*They prattle on. It's quite ill disciplined and we're not quite so good at using meal times for actually pursuing business discussions in my view*

**NED 10 Phillip**

Aram and Coehn (1983) found that the amount and also the integrity of information available to the Board of Directors was controlled by the company's internal Executives. However they posit that although information must flow from the Executive to the board, when it is not forthcoming it is the responsibility of board members to establish policies and guidelines for effective information flow. The responses of the study participants, would suggest that some Non Executives do attempt to influence the availability and quality of the information they receive, as is clear from the next quotation:



*I said I would like the agenda changed I would like board meetings to happen as follows. I don't want a 3000-page bullet book that everybody reads and is then read to us again at the meeting. I mean they used to get where they were just ridiculous, so I said no more of that and then I said I want a contact to reach a decision and I want a priority it should be like a political briefing book where you talk about "this is the issue, this is the background on the issue, this what we are doing, this is management's recommendation, this is the downside of it", that type of a structure.*

**NED 3 Liza**

However, many Non Executives seemed to tolerate poor practices rather than attempt to change them. A number of individuals described their perception that the board meetings they attended were more like management meetings.

*It feels a bit to me like a kind of slightly enlarged meeting of the Group Executive Committee at which it happens to be the case that Non-Executive Directors are present, a kind of continuation of certain types of senior management discussion by other means.*

**NED 10 Phillip**

Some of these Non Executives described how they had initially attempted to change boardroom behaviour, but had perceived that their suggestions had not been acted upon. In fact, as Cohan (2002) argues, even when Non Executives do ask the right questions, they are not always given the correct answers. In the following excerpt it is clear that the Non Executive is very frustrated by his inability to influence behaviour:

*We know it is going to catch us but we have not been able to influence the management to do much about it.....we will all look like absolute idiots because we promised the city we would sort it out.*

**Ray NED 4**

In the USA it may well be the case that some Non Executive Directors have previously been able to take a submissive approach to the discovery of material facts. A leading case on the issue of directors' duties (Cohan, 2002) from the Delaware Supreme Court rejected a claim on behalf of shareholders, that a Board of Directors has a duty to ensure an adequate internal monitoring system. The court found that directors are entitled to rely on the "honesty and integrity of their subordinates" and "that only a sustained and systematic failure of the board to exercise oversight" could lead to proof of liability (Graham v Allis-Chalmers Manufacturing Co., 1963). Of course, with the arrival of Sarbanes Oxley (2002), Non Executive Directors in the USA will no longer have this kind of protection from prosecution.

#### **5.1.2a Availability**

The study participants reported that because of various external commitments some board members were frequently only present at meetings via telephone or video links. This created problems for both the absent party, who described feeling disengaged from the proceedings and also for those individuals who were present at the meeting. The next two quotes highlight the study participants' concerns:

*To me, you can do interim meetings that way for quick decisions and quick issues, but to have a meeting that way? I have not found that to be very valuable. We have to do a lot of it we just have meetings on the telephone and you find that if you really want participation you won't get it. Well they're doing e-mail. You know they're doing e-mail, not concentrating on the meeting. And you can't see their body language.*

**NED 9 Geoff**

*Phone board meetings are inferior. You have a meeting and then you have one or two board members sitting on the conference call. That happens in all meetings that's very common here. We discourage it; we do what we can to discourage it. Since Sarbanes Oxley (2002) it'll happen more often. The legislation means more requirements for board meetings but one of the goals is, you want engaged, capable people and their schedules generally are not that flexible.*

**NED 1 Warren**

These excerpts highlight a number of important factors; firstly the importance of being able to 'read' the behaviour of others in the boardroom. The study participants talked at length about the need to be able to trust those around them and to be able to rely on them to be fully engaged in the process. As their comments imply, this is difficult to ascertain when some members are not physically present in the meeting.

The excerpts also reveal the dilemma facing many organisations. Boards need committed capable Non Executive Directors, but such individuals are in high demand and may not always be available for every meeting (Baum and Byrne, 1986) but Remp (1974) found that when individuals are not physically present for a meeting they are twice as likely to report not having the opportunity to express their views. Balancing the highest flying individual against the one who can turn up for meetings presents somewhat of an impasse.



### 5.1.2b Time

Lorsch and MacIver (1989) noted in their study of Board of Directors that not having adequate time was one of the most common reasons that Non Executive Directors give for not being able to effectively perform their duties. The study participants in this current research also described their perception of having inadequate time to fulfil their various roles. Mace (1986) argues that boards often fail to realise their potential contribution, due in part to their failure to even “do the homework” needed for understanding the organisation’s problems.

The study participants described the problems that they faced in terms of constraints on their time. Many of the Non Executives worked on a number of different boards, as well as being full time CEO’s within very large organisations; they were very busy people (Schaffer, 2002). Balancing their Non Executive commitments was perceived as difficult (Mace, 1986). Some study participants described reading the pre-meeting notes in the car on the way to the board meeting. A few study participants candidly described feeling so frustrated with the sheer volume and poor quality of the information with which the company provided them, that they chose not to read the notes at all. In the next excerpt a disillusioned study participant describes how a culture of not reading the pre-meeting papers had developed in his organisation.

*I will just wing it, because frankly that one is a piece of cake. I used to spend a lot of time, but now I just think that it is a waste of my time, because I am the only one that does.*

**NED 4 Ray**

The cultural effect within the group, suggested by the above comment adds weight to Schaffer's (2002) argument that established norms of board conduct may dictate the Non Executive Director's role. Even the most enthusiastic individual may eventually be worn down or even ostracised by the group (Westphal and Khann, 2003) for exerting more than the prescribed level of effort.

### **5.1.3 The Language of the Boardroom**

Individuals discussed how they had, on occasion, not spoken up when they were unsure or unhappy about an issue. This may be because individuals perceive asking for help is an admission of uncertainty or dependency or even an indication that they are incompetent (Rosen, 1983). The Non Executive discussed the challenges that they sometimes faced in terms of the language that other group members adopted in the boardroom. Two themes relating to language were common across all of the study participants - the first was the use of financial language, the second the use of jargon. These two emerging themes are discussed next.

#### **5.1.3a Financial Language**

The study participants perceived that the majority of the work carried out in the boardroom involved the use of complex financial language. For those study participants without a strong background in finance the use of financial language was sometimes highly problematic. Indeed, even those Non Executives who self reported that they were "numbers guys" revealed that on occasion they had not been able to understand the financial information that was presented to them. The study

participants described how often because of time constraints, or the sheer complexity of the issues, they had not completed the necessary homework to fully understand the issues that they were debating.

In addition to the difficulties some Non Executives perceived that they faced in terms of understanding the complex financial language, studies suggest that an over-reliance on the use of financial-based indicators may not allow even the financially astute Non Executive Director to assess the more subtle qualities of the decisions that management are taking (Baysinger and Hoskinsons, 1990; Schaffer, 2002).

When faced with complex financial information, the study participants often described assuming that other Non Executives would understand the issues under discussion. As a result, rather than speaking out and asking for further clarification, when a Non Executive did not understand information they often kept quiet, in the hope that others would make a correct assessment. Unfortunately some study participants also described how their belief in the ability of other Non Executives had sometimes led to matters not being properly debated as is highlighted by the study participant in the next excerpt:

*It is difficult I consider myself financially literate but just talking about derivatives for example is really, really hard. I have to really think about these things and when you have to then sign them off that is really scary. I sometimes sit in a board meeting and think I don't understand this and I will look at the woman sitting next to me who is nodding intelligently and I think well at least she knows what's going on she understands so that is alright, and then we will get out of the meeting and I will say did you get all that and she'll say well no not really. oh ohh.*

**NED 22 Harry**



Many of the study participants discussed how they would like the Board of Directors to be able to hold discussions that were not based purely around the financial aspects of the business. However the study participants perceived that because of their lack of insider knowledge, and the limited time that was available to them, it would be difficult to work outside of their current financial remit (McNulty and Pettigrew, 1999).

The Non Executives often perceive that they are deprived of the information they felt necessary to adequately make a contribution to the boardroom debate. Eisenhardt et al. (1997) found that management teams who lacked adequate information, resorted to pointless debate over opinions. This in turn led to interpersonal conflict resulting in a reliance on narrow historical measures, such as profitability, rather than trying to understand what was actually happening within the organisation.

The descriptions provided by the Non Executives in this current research add significant weight to Eisenhardt's (1997) argument. The study participants evidently perceived that they were forced to rely on financial data, because they lacked a broad understanding of the organisational context, and the time and training necessary to assimilate quickly. Interpersonal conflict and the stifling of debate by dominant individuals was commonplace. The effect of interpersonal conflict on the Non Executives' ability to contribute will be discussed further as this chapter unfolds.

### 5.1.3b Boardroom Jargon

It emerged that many of the Non Executives had experienced problems with the language used by other members of the board, particularly the Executive board members. The study participants perceived that others in the boardroom sometimes used acronyms and industry-specific terms as a source of power when addressing the Non Executives in boardroom sessions. This use of language, to exclude some board members might be described as a form of social control (Westphal and Khann, 2003).

The study participants described how difficult and intimidating they perceived it was to ask for clarification of terms that they did not understand, for fear of appearing incompetent and uninformed. Ashford and Northcraft (1992) found that managers did not seek feedback from their superiors because they worried about appearing uncertain or too dependent. Similarly, Allen (1977) found that engineers did not seek ideas from others because they feared that they would be viewed as incompetent. Emerging from this research were similar findings about the ability of Non Executives to ask for guidance from their fellow board members. Study participants appeared to worry about looking incompetent, and were obviously intimidated at the prospect of admitting that they did not understand. This is highlighted in the next three excerpts:

*Well you know it is an old cliché but there are no stupid questions, but that is not true there are a lot of stupid questions...you walk into the boardroom and you realise that the board is not meeting for your education and your edification.*

**NED 18 Joe**

*They will not get into anything where they are going to show themselves up, so ego becomes a major issue.*

**NED 4 Ray**

*Nobody would picture him (an NED) as shy or easily intimidated but what you do see is the intimidation does lead to this, very few people will ask questions, because they don't want to be, you know they have been successful, in the real life all of a sudden... You know... sounding stupid, mispronouncing, someone is going to laugh at you. The truth is, it is the same on the board, and people won't ask a question*

**NED 3 Liza**

Jackson et al. (2003) found that an Executive's fear of exposing weakness was the most important reason for the failure of Executive development plans. Some study participants discussed how they had instigated the use of a boardroom 'dictionary' to overcome the problem of individuals feeling too intimidated to speak out. In the next quotation a Non Executive describes the use of a 'dictionary' in a boardroom in which he worked:

*We had a little dictionary of grocery industry terms, the book was available on the table. So if someone was giving a talk, rather than interrupt they would just look at the book. But you know it was like ten pages, and it just set out the language. Most importantly we were saying don't be embarrassed, obviously someone didn't get it or we wouldn't have the ten pages already produced. So feel comfortable to use it.*

**NED 19 John**

The use of a dictionary precluded the Non Executives from having to speak up and ask for clarification of terms, or more commonly, saved them from having to sit in an 'embarrassed' silence, because they didn't perceive that they could speak up and ask a question without looking foolish. The dictionary might be useful on two levels; firstly it evidently means that the individual no longer has to worry about speaking



out when they don't understand; but secondly, it also signals to individual team members that they are probably not the only person around the table with a problem of understanding.

#### **5.1.4 The Power of the Group**

The study participants perceived that it was often difficult for Non Executives to speak up on issues they felt strongly about; particularly when they were not sure that the other Non Executives would support them. This may be as a result of what Westphal and Khann (2003) describe as 'social sanctioning'; these authors found that boards use social controls to pressure members who do not conform to what the majority want. Techniques include ignoring the comments of the delinquent, not inviting them to important meetings and talking about things with which the delinquent is not familiar.

This current research uncovered similar results to those of Westphal and Khann (2003). However, the approach used in the current study allowed for richer descriptions of the phenomenon. Westphal and Khann (2003) used questionnaires and some short scripted telephone interviews. Through the use of deep conversations, sometimes over several hours, study participants in the current research project were able to relax and feel comfortable enough to reveal the issues that made them feel most vulnerable.

The use of jargon, which has already been described in this analysis, might be viewed in some cases as a form of social control. Westphal and Khann's (2003) idea of social sanctioning may go some way towards explaining the perceptions of some Non Executives that their contribution was ignored, or their opinions not asked for, even about issues upon which they might well be considered an expert.

Jane's account of the behaviour of the rest of the board when she voted against an important deal is a classic example of a board's attempt at social control:

*I was seriously unhappy with deal and the way which my vote had been taken, and the way those chauvinists, sat on the board and let that vote happen without a word of support, didn't even refer to it, total sense of denial about the whole thing. The whole thing was never discussed until about two years later when the deal went wrong.*

**NED 7 Jane**

Westphal and Khann (2003) found that those directors who experienced social controls in one boardroom, were less likely to step out of line on other boards with which they worked. In this way through learned behaviour the corporate director network as a whole is able to control the behaviour of its members in favour of the retention of power for the benefit of the corporate elite and sometimes at the expense of constituents generally.

#### **5.1.4a Mutual Attraction**

The ability of the Non Executive Director to perform his duties is likely to be affected by his interactions and relationships with others within his role set, Katz and Kahn (1978) found that work groups whose members are more attracted to one

another produce higher levels of member satisfaction, whilst Zaccaro and Dobbins (1989) discovered higher levels of commitment among work groups in which there was some attraction amongst members to each other.

Other studies have found a linkage between work group attraction and reduced staff turnover (Jaros, 1995; Angle and Perry, 1981; O'Reilly et al. 1989). Low turnover is advantageous because although some turnover is a healthy and normal process within the boardroom, high levels of turnover amongst boardroom member are likely to lead to a loss of firm specific knowledge within the group (Forbes and Milliken, 1999). Some study participants described boards on which they worked, where they perceived that everyone gave their very best effort all of the time, to the extent that individuals pushed themselves to undertake things that they hadn't previously realised they were capable of doing, as is highlighted in the next comment:

*All the other guys were CEO's of major companies but every single person was valued for what they contribute.... (I thought) I don't know enough to do this, and I'll tell you what I worked real hard to get up to speed.*

**NED 3 Liza**

Within these boards the study participants reported looking forward to meetings, and felt that they were learning important lessons from those around them in the boardroom. The next three comments highlight the importance some study participants placed on working within a team with whom they share respect and mutual attraction:



*The best one by far is the mining company, by several lengths, it has first class people and is just very serious about the board's responsibilities, very clear responsibilities, and I have learned a lot from their processes.*

**NED 18 Joe**

*I couldn't wait for board meetings. That's how much the wonderful chemistry was - wonderful fun. I tried very hard to figure out why I loved that so much, the chemistry in the room was terrific the level of the people, (it) was a very high level board in terms of the quality of the people.*

**NED 3 Liza**

*This in my opinion is the best board I have ever sat on...it is a real mixture of skills on that board and that is why it works so well.*

**NED 22 Harry**

The study participants' perceptions of the benefit of mutual attraction are highlighted in the comments above; mutual attraction appears to increase the effort norms of its members (Forbes and Milliken, 1999). Lorsch and MacIver (1989) found that directors who give enough time to their duties and seek out the information they need are better able to prevent and manage crisis and govern more effectively in times of instability.

Shaw (1981: 213) described the attraction amongst group members as "cohesiveness". Katz and Kahn (1978) referred to it as "social integration". They argued that it was a multi faceted phenomenon reflecting the individuals' attraction to the group, satisfaction with other group members and social interaction amongst the group's members (Katz and Kahn, 1978). The findings of this current research reflect these existing studies on work groups in their discovery that group

cohesiveness (Shaw, 1981) was perceived by the study participants to have a positive effect on overall group processes.

#### **5.1.4b Role Set Diversity**

The Non Executives discussed the need for greater skill diversity in the boardroom. The study participants described at length the problems they faced in dealing with increasingly complex and time-consuming issues. The study participants admitted that periodically they had to rely on their fellow Non Executives to understand boardroom issues, because they did not have the time, or capability, to understand everything that was presented to them (Cohan, 2002).

Many study participants described how they valued working with individuals from different backgrounds to their own. The study participants reported that Non Executives from different backgrounds were able to bring new perspectives and fresh ideas into the boardroom. The new knowledge offered by such differently skilled individuals, allowed those already present to come forward on matters with which they had previously felt that there was a problem, but did not feel that they had the understanding or credibility necessary to challenge managements judgements. This phenomenon is highlighted in the next two quotations:

*He proved to be very forceful and I was delighted because I very often found he was saying things which I was instinctively feeling but my voice on that would count for less than his because he had patently high level US corporate experience behind him which added weight to the points and he would pitch in sometimes quite forcefully saying "looks to me like that, we're just whatever and we can't go on doing this*

*because” and we were hearing things from him which I didn’t recall hearing around the table until he joined.*

**NED 10 Phillip**

*I also work with (name removed) on that board and he is a huge asset you would not think that this old little guy from the middle east who learned his trade as a grocer would have such a great perspective on things but he does, he understands about the customer and constituents and the importance of driving that in the board he is a really useful sounding board for us.*

**NED 22 Harry**

The finding of this current research, that diversity among group members, in terms of their previous experiences, was perceived by study participants as being in general a positive characteristic, was in contrast to most previous research. Some past studies have suggested that diversity amongst group members leads to increased member turnover due to lower levels of group cohesiveness (Shaw, 1981) and poor social integration (Katz and Kahn, 1978). The Non Executives who took part in this research valued fellow board members with career backgrounds different from their own as alternative sources of capabilities - for their skill diversity. Typically, participants in this study described the importance of other members of the group holding similar status in terms of their perceived reputation and capabilities, but value was also placed on the opportunities that having other members of the team with different, rather than the same experiences, could bring to the group.

Interestingly, despite a perception on the part of study participants that diversity was important to a healthy board, the Non Executives still reported a lack of group cohesiveness and social integration in many of the host boards on which they



operated. This was viewed by the study participants as being a result of the insufficient time that board members were able to spend together and also the frequently divisive behaviour of a CEO or Chairman rather than because of the diversity of board members. The role of the CEO and Chairman in this context will be discussed in more detail in section two of this chapter.

#### **5.1.4.c The Role of Diversity in Encouraging Corporate Responsibility**

The study participants made it clear that they valued the ability of other Non Executives with strong diverse capabilities. Many described how individuals with different capabilities were able to bring fresh perspectives into the boardroom and were able to argue powerfully for changes in areas in which they personally had capabilities. This was particularly apparent when the study participants talked about influencing corporate responsibility practices within the organisations with which they worked.

Several of the study participants described how they found it difficult to raise issues on which they intuitively felt concern, because they perceived that they lacked the capabilities to back up their arguments. There was a perception among the study participants that they might even appear foolish for bringing up “soft” issues in the boardroom where language was almost always financial in nature. Possibly due to “cultural” differences between life in the boardroom and that of other roles, Non Executive Directors from non-business backgrounds in particular perceived that it was difficult to make a contribution, even in those areas in which they considered

themselves equipped to do so. In the following excerpt a Non Executive Director discusses her perception of how this problem affects contribution in relation to a number of boards on which she sits:

*A lot of people feel that if they haven't quite got the confidence in the boardroom, they seem to forget all their knowledge as soon as they walk in the room, and not realise that actually they've got a lot of basic knowledge which they can tap into, it's just in a different context, they just need reminding about it from time to time... they're always nervous about asking questions especially if they know somebody and they've been invited on to the board by the person they know.*

**NED 13 Hanna**

Another Non Executive discusses the problems he personally has faced as an individual with a corporate responsibility background, who endeavours to encourage other boards with which he works to consider wider social issues:

*There are some boards where, especially if you're new and you're not that informed and involved or you're not on certain committees and understand what's happening in certain areas, people are reluctant from a peer standpoint to create an issue..... (then there is the) kind of herd instinct "she's the leader follow" and that's true, I mean that happens occasionally. Firstly, sometimes people are all by themselves out there too. It gets very lonely we've all been there too, speaking of the issues and for whatever reason others don't want to hear it.*

**NED 12 Ruben**

Other Non Executives described how when a Non Executive joins the board with experience of dealing with corporate responsibility issues and starts to raise questions about the company's policies in this area they themselves then feel confident enough to make a contribution to the issue.

*One of our senior NEDs, but who is also on the board of (high status company with prominent CSR experience), said that we were not giving sufficient attention to this as*

*a growing area of concern for investors and indeed governance and indeed the public more generally... the initial reaction by the board, including I would say the CEO, tended to be more 'this is kind of froth, you know, this is all a complete blind alley, this corporate social responsibility, this is not what business is about, it's one of these elaborate con tricks' and most of the Non-Executive Directors said "no, wrong, we do have to pay attention to this, it is a growing area and we need to get our act a bit more convincing".*

**NED 10 Phillip**

The above responses may be explained in part by the work of Jones and Wortman (1973) who found that people align their beliefs with others who have a higher status than themselves, by Tetlock (1983) whose research suggested that individuals align their beliefs with those to whom they view themselves as being accountable, and also by Chattopadhyay et al. (1999), who found that executives' beliefs are influenced by other members of their team.

This current research suggests that before the arrival of the new influencing board member, the Non Executive had aligned his voiced opinions with his perceptions of the opinions of his existing colleagues. Upon the arrival of the new individual, with perceived high capabilities (and therefore high group status), and a perceived intuitively correct approach, supported by actual experience of the issues, the Non Executive may subsequently realign his position to fit with the new high status board member.



#### 5.1.4d Powerful Individuals within the Group Setting

Westphal and Khann (2003) argued that those with very high group status may not be subject to social controls to the same extent as lower status members; this argument is substantiated by the current study. The Non Executive Directors in this current research described their perception that certain high status members of the group were more able to raise difficult issues, than were the majority of board members. This is typified by the response of the next study participant who, as a long-standing board member on some of the worlds best known boards, might well be considered a very high status/high capability individual by his fellow board members:

*(The CEO said) "I think we've got a board meeting in ten days. I think we can discuss it then". I said, "Well we actually have called a board meeting for 4.30 this afternoon". This was at 2.30. I said, "Everybody will be there".*

**NED 6 Laurence**

The situation described in this excerpt suggests a Non Executive who is confident to make difficult decisions within a board that is populated by individuals who are prepared to stand with him under uncomfortable circumstances. Achieving this seems to be dependent on the perception of power (Westphal and Khann, 2003). For an individual to instigate a major change he needs to be perceived by other members of the role set as being in someway powerful, in terms of reputation and influence within the group. The next two comments highlight this observation:

*I'll tell you who was effective he just had to say something at a meeting and (the chairman) respected him, (he was) a heavyweight in the city, he had a lot of influence, and a lot of sway and I think I saw him change things.*

**NED 7 Jane**

*The Non executives can dissent if they are very powerful people.*

**NED 4 Ray**

Despite the study participants' perceptions of the importance of powerful individuals within the boardroom, many Non Executives also described the problem of over-inflated egos and highly domineering individuals in many of the boardrooms in which they operated (Raber, 1989). Learning to work with such strong personalities was a skill that many of the study participants described having to learn.

*You know these boards don't suffer small egos. And generally, the people on the board are pretty demanding, board egos are important. You have to manage that.*

**NED 1 Warren**

Being one of a group of individuals who were all used to viewing themselves as the alpha player in a team appeared to cause the Non Executives to sometimes feel embarrassed and intimidated in the boardroom setting – their egos made it difficult for them to speak out for fear of ridicule by the rest of the group. Overcoming this perception of intimidation and fear of ridicule, presents a rather unique problem for the board of Directors, as will be discussed in the next section. CEO's have a preference for CEO's from other organisations in their boardrooms. Creating a team from a group of people who may well have very similar personal characteristics, and who are used to being in charge and not being questioned, may well lead to a dysfunctional role set. The following comments highlight the problem faced by some of the study participants:

*You would be amazed at how intimidating it is!*

**NED 7 Jane**

*I stepped into this absolute blood bath!*

**NED 18 Joe**

It may be that such individuals have just never developed the personal coping strategies necessary for dealing with other dominant individuals – the dominator becomes the dominated. In this way the powerful CEO-turned-Non Executive looks around the room and sees thirteen other powerful dominant characters and feels uncharacteristically inhibited.

#### **5.1.4e Groupthink**

The study participants discussed their perceptions of the importance of having agreement within the boardroom. They described how the Chairman in particular would always try to seek consensus among the group (Eisenhardt et al. 1997: 84). This was interesting because although study participants described the need for consensus, they also frequently discussed their perception that they and other Non Executives did not agree with certain choices that the board had made. However, rather than addressing these issues, many study participants appeared to simply avoid dealing with the problem, which appeared to leave them feeling highly frustrated or caused them to switch off from the debate (Katz, 1959). One Non Executive speaks candidly about his own experience on a board that he perceives does not listen to its Non Executives:

*Well there is no pressure on you to bother really, just keep taking the cheques there is an awful lot of that, I mean I think I am doing that to some extent.*

**NED 7 Ray**



In the next example a very experienced Non Executive describes her experience of various boards over her long career:

*The funny thing about that group (the board), the 'hear no evil see no evil, the sort of three monkey thing', is they absolutely believe it. It isn't that they are doing that because they are lazy or fat or whatever, they are doing it because they believe it and I have been so fascinated by that myopia as to wonder am I missing something here and the only thing that I can think I'm missing is that they could be, in a funny kind of almost subliminal way, in a way, they don't understand how are they going to preserve this very fragile unity within the boardroom, so that they are almost like sleepers. They're just, they're just there and they are not doing anything but they are keeping everything on the board in a harmonious whole.*

**NED 7 Jane**

The consensus seeking behaviour, which the study participants perceived, may be explained by 'groupthink' (Cohan, 2002; Demp and Neubauer, 1992). 'Groupthink' views consensus seeking as a method of reducing stress levels within the group (Janis, 1972; Janis, 1971). Members risk social exclusion from the group if they introduce stressful or conflicting information into the team; this leads to the suppression of information and ideas and cognitive conformity amongst team members (Westphal and Khann, 2003; Cohan, 2002:284; Schwenk, 1989; Janis, 1972). Ambiguous or complex information tends to be dismissed as unmanageable (Cohan, 2002). The Non Executive in the next quotation appears to describe some of the symptoms of groupthink, as she talks about the behaviour of her fellow board members when she voted against a very big deal, which her very domineering Chairman wished to undertake:

*Those chauvinists, sat on the board and let that vote happen without a word of support, didn't even refer to it, total sense of denial about the whole thing. The whole thing was never discussed until about two years later when the deal went wrong.*

**NED 7 Jane**

A second study participant who worked on the same board later substantiated this particular story. Interestingly all the members of this highly elite board were very capable, extremely successful individuals, none of whom might be expected to easily allow a proposal to be simply “nodded through”. DeLamater, et al. (1969) described this type of behaviour as “functional commitment” where the individual’s personal power and status are enhanced by maintaining the *status quo*. Sheard and Kakabadse (2004) argue that individuals will often work very hard to maintain their affiliation with a group, even to the point of doing things that they would not do as an individual, but as part of the team they form a separate identity. Similarly Janis and Katz (1959) argued that people, when part of a group, will overlook actions they would not tolerate for themselves as individuals. This may lead Non Executives to behave in an unethical way, even when they consider themselves to be highly ethical individuals in their own right (Sims, 1992).

Janis (1972, 1971) in his original works on groupthink argued that the phenomenon was predicted mainly through excessive cohesion within the group. However, the study participants in this current research did not generally report perceptions of strong cohesion – in fact many described the desire for closer ties between members of the group. However the lack of actual group cohesion does not negate the desire to belong, particularly when the advantages of membership are very high, Non

Executive Directors do not only benefit from membership of the subset of the single board of directors, but also from a larger set of social elite. Studies subsequent to Janis's early work suggest that other group dynamics may also lead to groupthink, including the desire to belong to the group, arrogance, overconfidence, bottom line mentality, rapid decision making, loyalty to a leader and promotional leadership (Baum and Byrne, 1986 McCauley, 1989; Sims, 1992; Esser, 1998).

### **5.1.5 Section One Summary and Conclusions**

During the analysis of the Non 'Executive as a group within the boardroom, a number of important themes emerged. Feelings of insecurity and intimidation, possibly due to lack of a clear role understanding and an inability to seek advice and guidance, appear to be common amongst many Non Executives.

The Non Executives perceived that their ability to contribute was impeded by poor information systems, the desire of the board's leadership to control information flows and the inadequate availability of time to understand issues properly. These factors may lead the individual towards apathy and ultimately withdrawal from the decision-making process. These issues, along with the enormously complex nature of many of the organisations they worked in, may have caused the Non Executives to use bounded rationality or cognitive nearsightedness to deal with complex issues. The use of bounded rationality in turn leads to a reliance on the almost exclusive use of difficult financial language during debates. Participants often described the use of



language, both jargon and financial, as a source of power and control in the boardroom.

The Non Executives expressed their feelings of anxiety about speaking out when they were unsure about issues, or did not understand; they feared being ridiculed by the wider group. It emerged from the analysis however that high status members of the boardroom role set were more able to raise difficult issues than were the majority of board members. High status members are categorised as those with high capabilities and an external reputation for working on high status boards. In terms of corporate responsibility, high status members were able to introduce issues more easily, particularly if they had successful experience of them elsewhere.

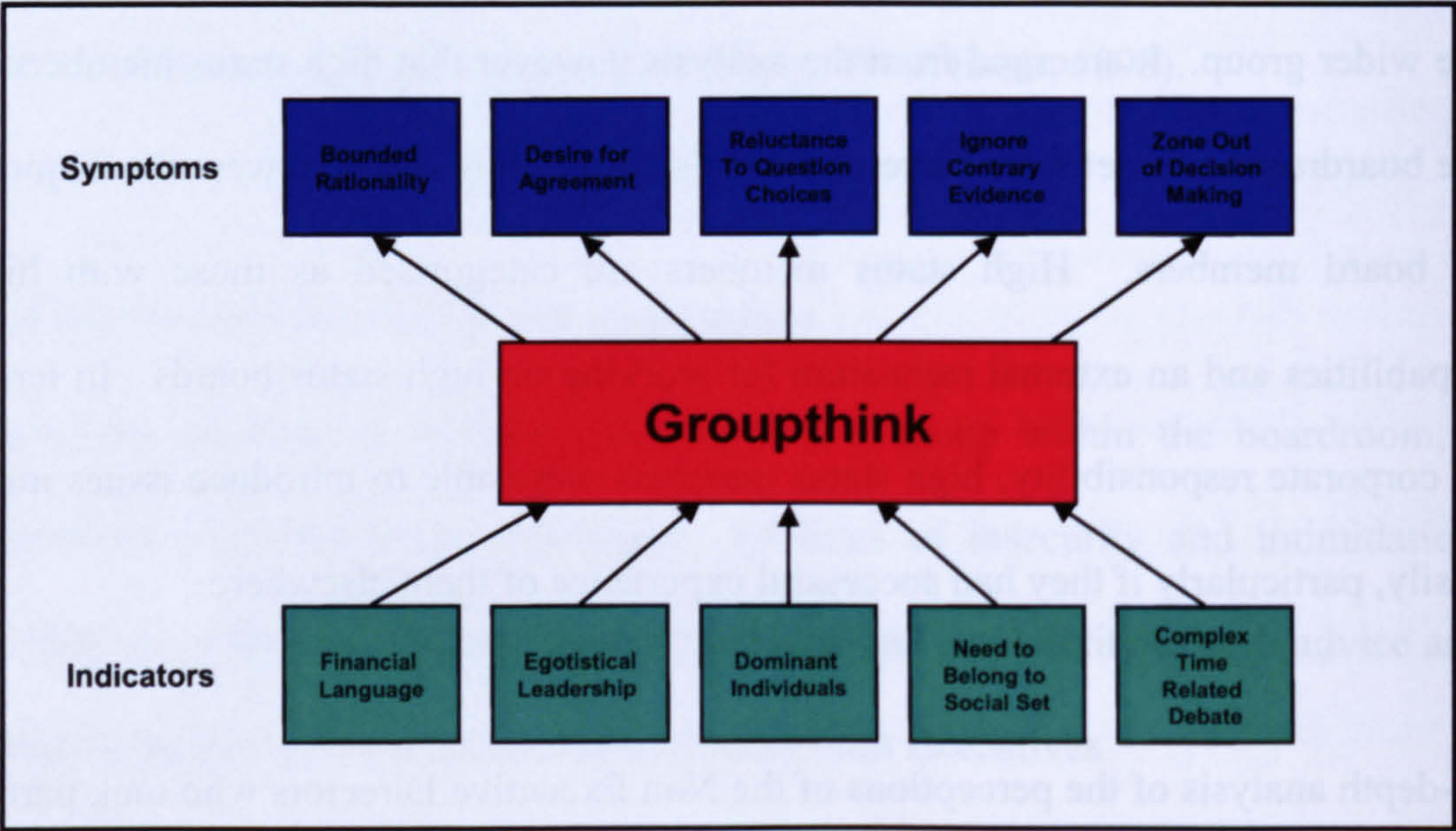
In-depth analysis of the perceptions of the Non Executive Directors who took part in the study suggests that some study participants may be describing the symptoms of groupthink within their boardroom environments. What is more, the emerging themes indicate that although a single factor can influence the ability of the Non Executive Director to contribute, it is much more likely that a complex dynamic of context-related factors work together, to either enable or inhibit successful boardroom contribution.

Figure 5.3 represents the first in a series of models that will be presented in this chapter as an explanation of the perceived behaviour of the Non Executive Director. The model identifies the main drivers of groupthink within the board as described by



the study participant and shows how these are translated into symptomatic group behaviours.

**Figure 5.3: The Indicators and symptoms of Groupthink in the Board of Directors**



**Compiled by the Author**

The next section of this chapter will examine more closely the impact of the board’s leadership on the ability of the individual Non Executive to make a successful contribution.

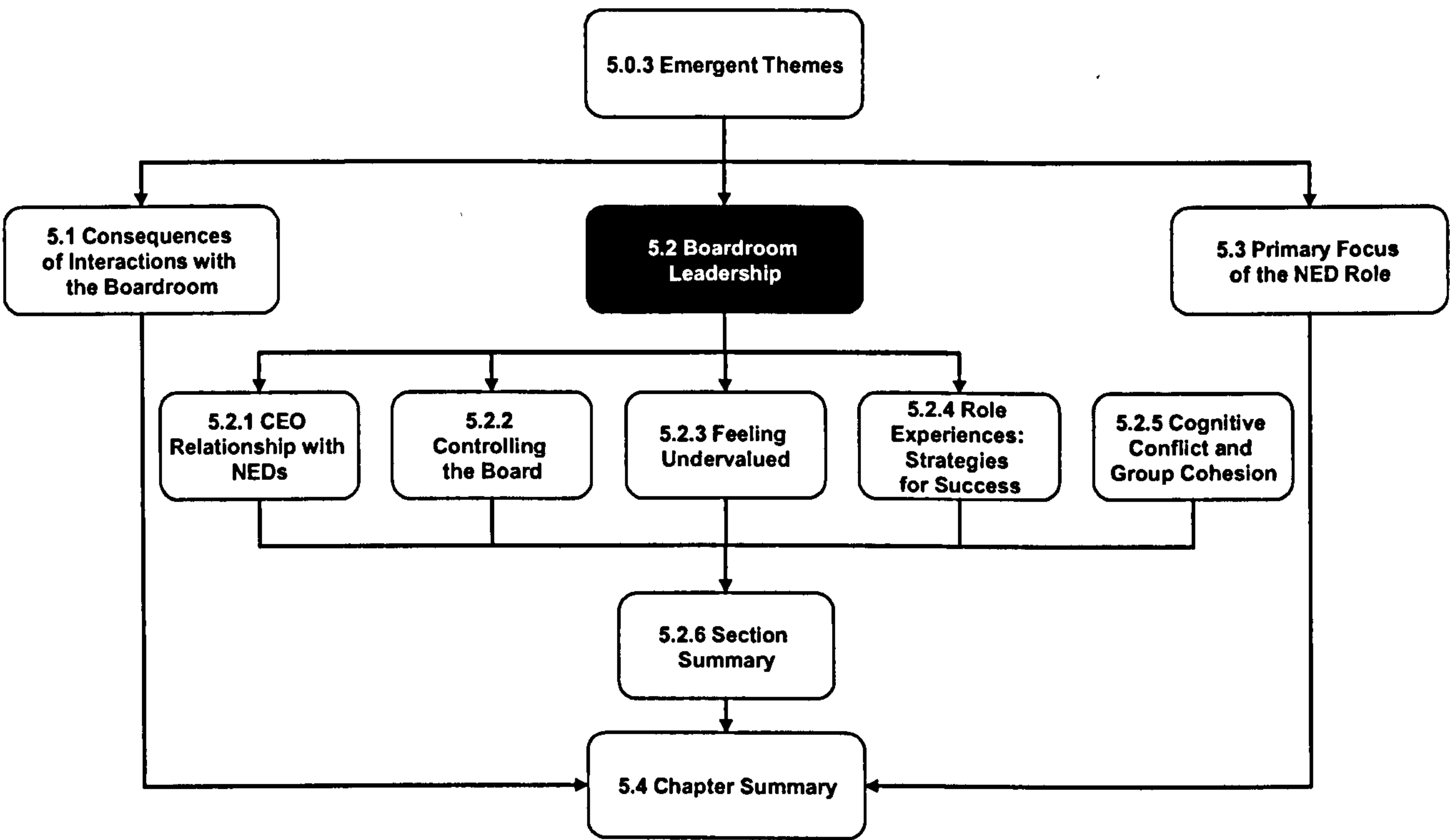
**5.2 Section Two: Boardroom Leadership**

It emerged from the complex analysis presented in chapter four that the ability of the Non Executive director to make a contribution was deeply affected by the CEO and the Chairman of the Board. In order to bring clarity of meaning to the analysis, in



the course of this section the perceptions of the study participants will be re-examined in the light of existing theory. The design of this section and its integration into the rest of this chapter is illustrated in figure 5.4.

Figure 5.4: Section layout



Source: Compiled by the Author

5.2.1 The CEO’s Relationship with the Non Executive Director

The Non Executives perceived that the Chief Executive did not always seek advice from them; this may be due to a fear on the part of the Chief Executive of loss of status. Allen (1977) found that engineers did not seek ideas from others because they feared that they would be viewed as incompetent. Furthermore Ashford and



Northcraft (1992) discovered that managers did not seek feedback from their superiors because they worried about appearing uncertain or too dependent, this was particularly true when the superiors were in a position to evaluate the manager.

The Non Executive is in an interesting position although he is not the CEO's manager in the normative supervisor/subordinate sense of the role; he is nevertheless employed to supervise the CEO's behaviour. Non Executives are also employed to oversee the CEO's remuneration package; as such, the CEO is unlikely to wish to send signals of incompetence or uncertainty to those who will dictate his future earnings. The study participants talked at length about their perceptions of many large egos in the boardroom, CEO's may simply be afraid of being viewed as incompetent by the rest of the group. What is more, fear of change and exposing weakness was found by Jackson et al. (2003) to be a major cause for the failure of executive development.

Those Non Executives who expressed the view that their CEO's were supportive, who went out of their way to seek opinions and encourage open participation, as in the next quotation, may be experiencing the CEO's strategy to reduce perceived personal risk, by creating a sense of security, friendship (Anderson and Williams, 1996; Rosen, 1983) and trust (Mayer et al. 1995).

*I felt so important and I was by far career timing wise the junior member, all the other guys were CEO's of major companies but every single person was valued for what they contribute, and he (the CEO) found a way as a communication expert as he*

*was to make each board member feel valued and it's a typical thing that you see, you tend to do more, you step forward you volunteer, I shared.*

**NED 3 Liza**

Tsui et al (1995) established that managers who seek feedback, even when it is likely to be negative, were viewed by their role set as being more effective. Seeking feedback may therefore be used by the CEO as an impression management tool within the boardroom. Westphal (1999) found that CEO's with strong social ties within the boardroom were more likely to ask for advice from other board members because, Westphal speculates, they perceive a lower level of risk in seeking advice from those with whom a friendship exists.

Westphal's study used a positivistic approach, sending questionnaires to a large sample of directors. This current study adds to Westphal's work through the use of a qualitative approach. By exploring the perceptions of the individual Non Executive Director it emerged that there was significant reciprocity in the role of friendship in shaping boardroom influence. Not only are Chief Executives perceived as being more likely to seek advice within a safe trusting "friendly" environment but, as in the above quotation, Non Executives also appear to be much more likely to offer advice when they perceive themselves to be in an environment where they feel valued, trust and like each other.

The value of having individuals who like each other and get along must be weighed against the problems that an overly cohesive group may create for itself in terms of groupthink (Janis, 1972; Janis, 1971). Many of the study participants described

situations where they had encountered what might well be classified as groupthink. Interestingly, however, these tended to be within boardrooms where individuals did not appear to get along well together; there were often high levels of mistrust and even malevolence amongst members of these boards, as is described in the next excerpt:

*I was persuaded that I didn't understand their business, and I rather wish now that I'd perhaps consolidated a bit more with other non-executive directors on the board and perhaps talked a bit more sense with them. They certainly weren't stupid and I think everybody had their own misgivings about strategy... I couldn't believe how silently everybody sat.*

**NED 7 Jane**

The factor that correlated each of these boards was a highly domineering CEO or Chairman or both. In these circumstances study participants described feeling highly intimidated by the dominant party; they feared that they would look foolish if they spoke out on an issue and perceived that it was unlikely anyone else in the boardroom would support them. As a result of these perceptions most Non Executives working with overly dominating leaders elected to keep quiet, even when they feared that a strategy was flawed. Such behaviour reflects the conclusions of a number of authors who suggest that individuals will suppress the beliefs that they hold outside of the group setting in order to maintain the *status quo* within the group (Sheard and Kakabadse, 2004; Sims, 1992; Janis and Katz, 1959).



### 5.2.2 Controlling the Board

The study participants spoke at length about their belief that CEO's tended to be overly domineering and controlling in their approach the board and other board members. The study participants also described their perception that their CEO did not like the Non Executives to speak to other board members, unless the CEO was himself present for the meeting. As one Non Executive put it "They would be regarded as disloyal... he'd (CEO) have gone ballistic." NED 7 Jane.

The Non Executives perceived that this desire to control was partly as a result of the CEO's own feeling of job insecurity, and partly due to the likely personality type of an individual who makes it to the top of a large organisation. The CEO's ability to dominate events in the boardroom may well be further enhanced by social constraints on the Senior Executives, who might feel inhibited about speaking out against their CEO or providing supplementary information to the board because of pressure to maintain their loyalty to "the boss" (Schaffer, 2002; Fama and Jenson, 1983; Pahl and Winkler, 1974). The next excerpt describes the Non Executive's perception of the reservations of the Executive team:

*I would quite like to go and visit a couple of the companies; they (the executives) don't quite like it they are not quite sure what you are going to say. They are not sure if you are going to upset the CEO or harass them or come back and tell tales and nobody is quite sure about the NEDs.*

**NED 4 Ray**

The study participants often described their perception that the CEO's with whom they worked tended to be highly egotistical. Many felt that they could not easily

criticise the company's management for fear of upsetting the CEO and creating friction in the boardroom. Demp and Neubauer (1992) in their international study of corporate boards found that all the directors that they interviewed in the UK and USA had experience of CEO's whose "personal influence, track record and national standing inhibited outside directors from challenging their proposals" (Demp and Neubauer 1992: 14). Cohan (2002) described how similar problems with overly egotistical company executives in the Enron Corporation led to its ruinous demise. The following remarks highlight the perceptions of study participants:

*CEO's are very arrogant, they are very aggressive; they have all the personality traits, which would make them in fact lousy board members.*

**NED 3 Liza**

*CEO's, we learn the skill of making things that stink smell good. That's part of what we are paid for. On the darkest day you say "But our strategy is right, we are committed to it we have got all the right people in place."*

**NED 19 John**

The centralisation of power towards a dominating CEO that the study participants described may generate high levels of interpersonal friction amongst group members according to Eisenhardt et al. (1997). Their research suggested that groups worked best when there are balanced power structures. Balanced power structures require a clear leader, but also that other group members are able to substantially influence decision-making. Similarly Pearce and Zahra (1991) found that participative boards with both powerful outsiders and a powerful CEO were associated with higher financial performance than other board types. Balanced power structures were rarely reported during this research. The study participants generally described their

perceptions of autocratic board environments that were controlled by a central figure in the form of either the CEO or Chairman.

The study participants perceived that new governance regulations were forcing the boards on which they worked, towards more structural independence from the host organisations. It was not uncommon for many of the host boards to be populated entirely by outsiders, with the exception of the CEO. Many researchers have viewed this type of board independence as a positive way to protect the rights of shareholders (Zahra and Pearce, 1989). However many of the study participants reported that this separation of the board from its senior managers left the Non Executives entirely reliant on the information provided to them by the CEO. According to Westphal (1998) such information asymmetry is likely to reduce the overall power of the Non Executives.

Eisenhardt et al. (1997) found that autocratic control within groups could lead to verbally aggressive behaviour amongst group members. This verbal aggression is reflected in the findings of the current study. Some of the study participants spoke with surprising venom about their fellow board members as is captured in the next three excerpts:

*I said "this is absolutely outrageous this organisation is dying and you guys are sitting around". I said something quite vulgar.*

**NED 4 Ray**

*He (Chairman) was such an abusive type of person.*

**NED 3 Liza**



*I stepped into this absolute blood bath and I thought that British boards were you know, lady like!*

**NED 18 Joe**

The above comments also highlight the feelings of powerlessness and frustration that many of the study participants appeared to experience in their roles. Non Executives, in their lives outside of the Non Executive role, tend to be highly successful dynamic people, who are used to being in charge, listened to and their opinions acted upon. However the study participants perceived that as Non Executives they often lacked the control over their environment which they perceived they had elsewhere.

### **5.2.3 Feeling Undervalued**

The Non Executives' feelings of frustration and powerlessness were evident throughout this current research study. It emerged, on closer examination of this phenomenon, that as a result of these feelings of frustration and powerlessness many Non Executives sought apparent withdrawal from the line of decision-making. The next comment highlights this point:

*The chairman has briefed the head-hunter, seen the people. It was his view of the balance. The nomination committee has just nodded it in. Actually I haven't even met the guy, we haven't been consulted, I told them to get on with it.*

**NED 4 Ray**

The above comment also highlights the frustration the behaviour of the CEO or Chairman can create for the individual within an autocratic power structure where

there is little 'real' consultation. As the study participant puts it "I told them to get on with it." This Non Executive has chosen to simply detach himself from the situation evidently because he feels that he has no power to do anything about it (Tsui et al. 1995). Despite this, Ray (NED 4) later discusses his feeling that the individual who was ultimately chosen by the Chairman for the new board position is not needed on the board and will in effect upset the "balance" of the team.

#### **5.2.4 Role Experience: Strategies for Success**

The preceding two points do raise a question, although the majority of Non Executives perceived the advantages of a separation of the two roles, many of the boards which were discussed during the research lacked a clear line of communication and control which may lead to some role ambiguity for the Non Executives (Katz and Kahn, 1978).

The Non Executives appeared, in their descriptions of their roles, to be essentially adrift in their understanding of what was expected of them within the role set, and lacked the resources to reach out for help when they needed it. Clearly whether there is a separation of the roles or a joint Chairman and CEO it is important that individual board members have an understanding of who they should be talking to, when they have a concern. Whether embodied in a single individual or divided between two individuals, there appears to be a need for accessibility, openness and mutual respect that must come from the CEO and Chairman. Two Non Executives describe their positive experiences in the next example:

*Well I think it has a lot to do with the CEO and Chairman they really make an effort to ask us all for our opinions, encourage us to speak out and that really makes a difference.*

**NED 8 Thomas**

*The CEO was a maestro... he found a way as a communication expert as he was to make each board member feel valued and it's a typical thing that you see, you tend to do more. you step forward you volunteer, I shared.*

**NED 3 Liza**

### **5.2.5 Cognitive conflict and group Cohesion: Finding Balance**

Cognitive conflict is defined by Jehn (1995: 258) as “disagreements about the content of the tasks being performed, including differences in viewpoints, ideas and opinions”. Cognitive conflict is believed to be most common amongst groups that are interdependent and face complex decision-making tasks. The complex and ambiguous nature of the issues facing the board that emerged from the analysis of this research, may lead members to develop different opinions (Forbes and Milliken, 1999). However despite the Non Executives’ perceptions of their own, and other board members’, personal frustration that issues were not always dealt with in a manner which they found acceptable, many did not voice their conflicting opinions in the boardroom.

Mace (1986) found that many board members respond to high levels of cognitive conflict by simply reducing their commitment to the group. This phenomenon also appears to be reflected in this current research in which many study participants reported that their perceptions of an overly domineering CEO or Chairman forced those with conflicting ideas into petulant silence. Such individuals generally chose



to zone out of debate in order to keep their personal frustrations in check. For example, one Non Executive commented on her attempts to contribute to a particular board:

*It was extremely difficult to make a contribution there that was either recognised or listened to, or understood.*

**NED 7 Jane**

The study participants discussed the desire, particularly of the company Chairman to always reach a consensus and to do so as quickly as possible. Similarly, Eisenhardt et al. (1997) found that executives sometimes believe unrealistically that consensus is always possible; they argue, “Such a naïve insistence on consensus can lead to endless haggling” (Eisenhardt et al. 1977: 84).

In fact cognitive conflict is not necessarily a negative attribute within the boardroom; it can lead to the consideration of a greater number of alternatives and the proper scrutiny of ideas set forth by the executive management team. It is also likely to reduce the likelihood of groupthink developing within the boardroom team (Janis, 1972). One Non Executive expressed his perception of the importance of independent thinking within the group:

*The danger of everyone liking themselves and each other is that you can take the consensus without a challenge. (You) can head downstream and you are over the waterfall before you realise, you were so busy talking to each other, that you didn't hear the roar coming. If you had been a little more independent in your thought process someone would have said “what's that noise?” and they would have been quiet and they would have said “it sounds like a water fall” and “maybe we should pull over and examine this before we go down the middle of the stream”.*

**NED 19 John**

Excessive social cohesion may actually reduce the ability of a group to effectively debate the issues at hand. Time is spent developing and maintaining relationships rather than seeking solutions and testing proposals (Schwenk, 1989; Sethi et al. 2002; Cohan, 2002; Westphal and Khann, 2003 Sheard and Kakabadse, 2004).

Some study participants discussed how the diverse nature of the skill and personality set within some boards with which they worked, led to wide and open debate about the issues the company needed to address; this is exemplified by the Non Executive in the next example:

*This in my opinion is the best board I have ever sat on by the way. There is a guy who is a nuclear engineer very bright guy, and he asks all the right and difficult questions...There is a women ....she is very bright but very difficult and rude she often says inappropriate things at board meetings ...she obviously has a unique insight... There is also a priest on that board he will always bring us safety and employee issues and the environmental stuff. It is a really mixture of skills on that board and that is why it works so well. I also work with (name removed) on that board and he is a huge asset you would not think that this old little guy from the middle east who learned his trade as a grocer would have such a great perspective on things but he does, he understands about the customer and constituents and the importance of driving that in the board he is a really useful sounding board for us.*

**NED 22 Harry**

Despite the inconsistent opinions of those who took part in the study on the use of cohesion and conflict in creating the optimum level of effectiveness within the board, there was general agreement that it was important to trust your fellow board members. Study participants described the importance of being able to rely on

others within the boardroom. However, as previously described, an over-reliance on the ability of others may lead to inadequate scrutiny of the executives' proposals.

The study participants in this current research revealed two words as being important in describing their perception of their desired relationship with others in the boardroom these were 'trust' and 'respect'. Their feelings on this issue are presented in their own words in the following passages:

*You have to be, in a way; happy to be on a board. And trust your colleagues is another thing. In a big business, you need sometimes to trust your colleagues because you can't know everything on everything. But if you know that another Non-Executive has perhaps looked at a certain part of the business and you can trust him. That gives you great comfort.*

**NED 6 Laurence**

*You need somebody. You do, you really need somebody who you can talk to and who you trust.*

**NED 7 Jane**

The optimum board may be one that balances some cohesion against the ability of individuals to voice alternative opinions and dissenting views. Eisenhardt et al. (1997), describes such an environment as a balanced power structure. Balanced power structures require a clear leader, but also that other group members are able to substantially influence decision-making. A similar structure was also found to be optimum by Pearce and Zahra (1991) who describe such boards as participative, with both powerful Non Executives and also a powerful CEO.



### **5.2.6 Section Two Summary and Conclusions**

Emerging from the analysis were the study participants' perceptions of the domineering behaviour of many CEO's and Chairmen. The Non Executives perceived that some CEO's attempt to limit information and access to the organisation, in order to maintain control of individuals in the boardroom; this restricted the Non Executives' ability to properly evaluate scenarios and make a useful contribution. Furthermore, emerging from the analysis presented in sections one and two it appears that many boards may suffer from groupthink, which further restricts the Non Executives' ability to contribute effectively to debate.

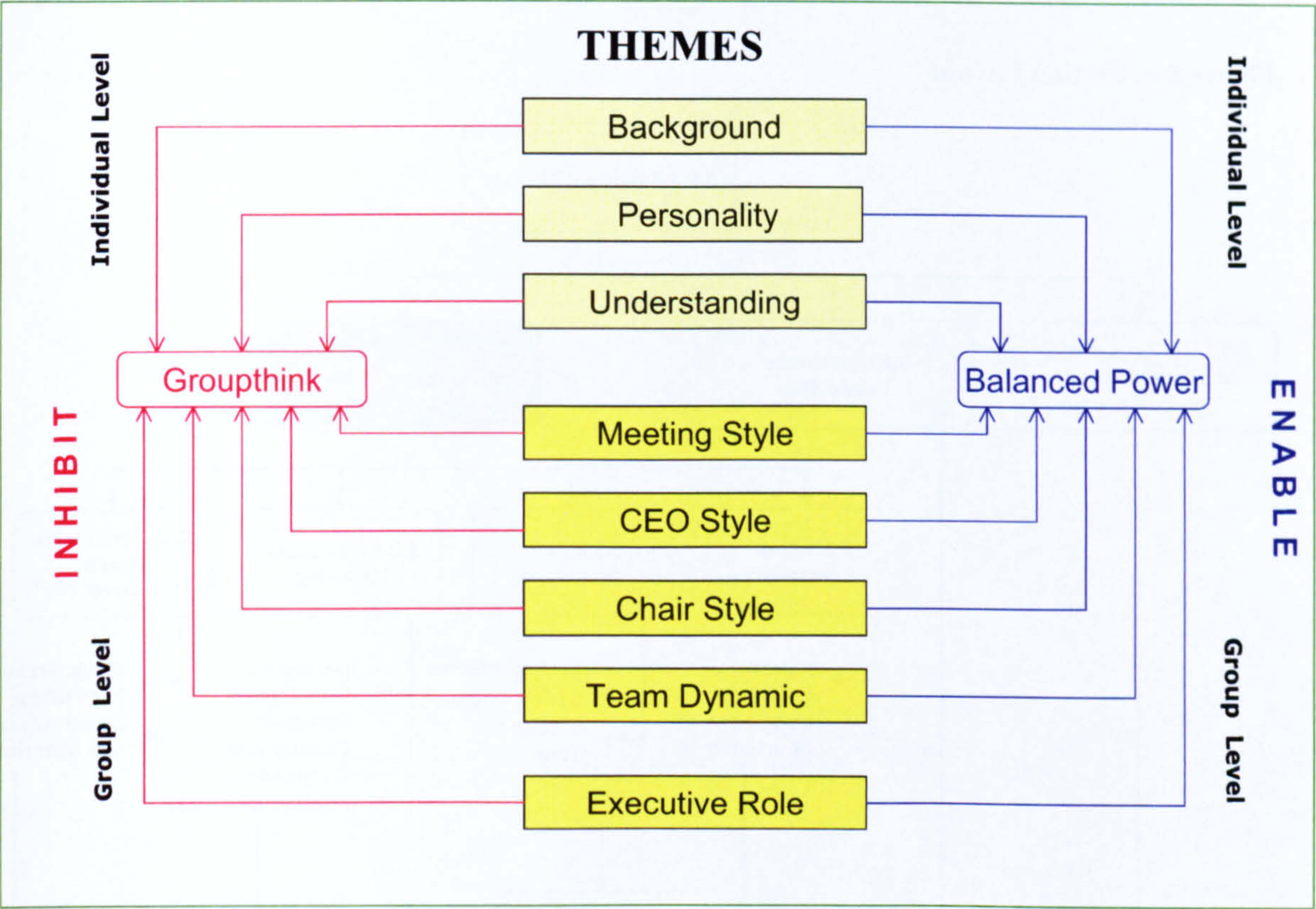
A small number of Non Executives portrayed boards in which the CEO played a more motivational role, encouraging positive behaviours by providing support and encouragement to board members, within an environment where individuals were valued for their unique capabilities. Within these boards study participants reported making extra efforts to achieve the personally challenging goals set by the board's leadership, such boards might be described as having a balanced power structure when compared with the subjugated boards which many study participants described.

Figure 5.5 below illustrates the factors that emerged from the research as major influencers of Non Executive contribution. The dynamic nature of these influencers have the capacity to enable or inhibit potential contribution depending on how they are implemented within the contextual environment of the boardroom. These factors may operate together, to create functional or dysfunctional behaviour or a single



factor may be sufficient to upset the balance of the board impeding successful Non Executive contribution.

Figure 5.5 Boardroom Leadership



Source: Compiled by the Author

The next section of this chapter will examine more closely the impact of the Non Executives’ perceived role expectations in relation to their actual contribution to the board.

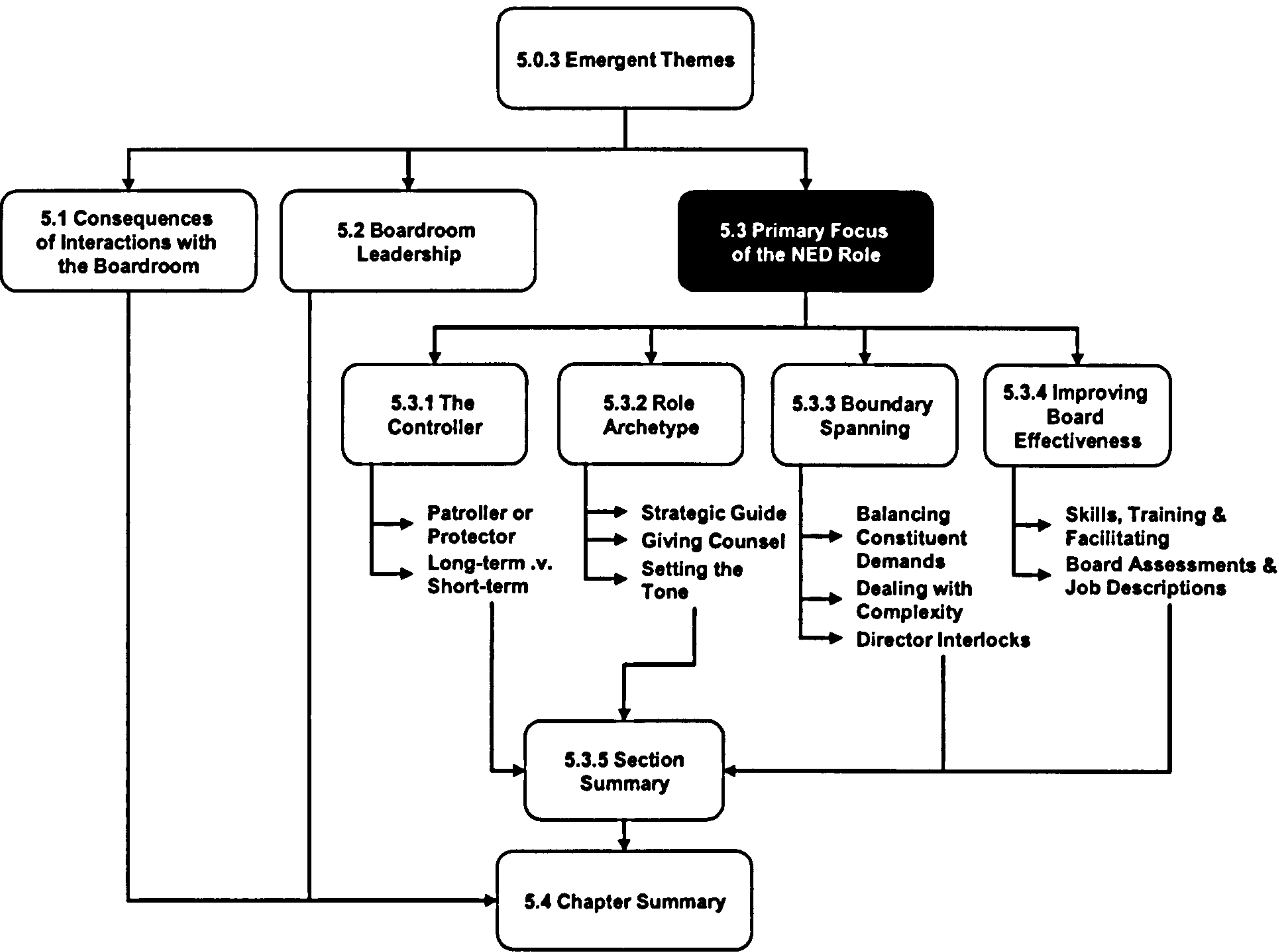
5.3 Section Three: Primary Role Focus of the Non Executive Director

From the complex analysis presented in chapter four, three key characteristics of the Non Executive Directors’ perceived role expectations emerged; these were that of Controller, Archetype and Boundary Spanner. This section will re-examine these



key characteristics with reference to current theory and in the light of the analysis presented earlier in this chapter and in chapter four. The integrated design of this section is illustrated in figure 5.6 below.

Figure 5.6: Section Layout



Source: Compiled by the Author

**5.3.1 Controller: The power of the Non Executive Director**

The study participants revealed some interesting paradoxes between their perceptions of the Non Executive Director’s role and their illustrations of actual behaviour in the boardroom. For example the study participants strongly believed



that one of their most important roles was that of hirer and firer (Demp and Neubauer, 1992), which corresponds with the observations of Pettigrew and McNulty (1998) whose qualitative study of the role of Non Executive Director suggested that Non Executive Directors believed that they had the power to hire and fire the Chief Executive.

However, in contrast to Pettigrew and McNulty's (1998) study, many of the Non Executives interviewed for this research described situations where, despite strong sentiments among the Non Executive board members about the ineffectiveness of a Chairman or CEO, attempts to remove them were never made, because the Non Executives believed that they were powerless to make change.

Much of the power and control that the study participants had expected to hold themselves was in fact controlled by the CEO and/or Chairman (Mace, 1986; Lorsch and MacIver, 1989). The findings from analysis of this current research suggest that this is in part because Non Executive Directors often lack internal structural sources of power (Pettigrew and McNulty, 1998; Westphal, 1998), particularly in the form of inside knowledge.

Eisenhardt et al. (1997) in their study of management teams found that in the absence of good data on internal and external issues, team members waste time on "pointless debate over opinions... self aggrandizement and ill formed guesses about how the world might be" (Eisenhardt et al. 1997: 79). This results in interpersonal conflict between group members. The study participants in this current research

were frequently unable to gather information about the organisation, except through the CEO (Aram and Coehn, 1983). In addition, the study participants perceived that it was difficult to develop relationships with internal managers, or other Non Executives within the host organisation.

The Non Executives perceived that the CEO viewed personal contact between board members as threatening to his own position as the alpha member of the board, causing him anxiety about the security of his job as CEO. The Non Executives' inability to form close ties, particularly with other board members, left them feeling isolated within their role in the boardroom. Their isolation in turn, caused them to feel intimidated about standing alone (Alderfer, 1986) on any particular issue for fear that they would be ridiculed or excluded by the rest of the group.

The study participants found that they had to rely upon their personal capabilities in terms of past experience, personal understanding and reputation in order to try to influence boardroom behaviour. However the study participants believed that it required more than just strong personal capabilities in order to consistently influence boardroom behaviour. It also required a supportive team culture, trust and respect amongst the individual board members as a group. Those Non Executives who did report successful removal of a CEO or Chairman described the perception of a strong team culture amongst board members. In some cases this culture was visible not only within the group of Non Executives, but also to the management team who consequently felt comfortable enough to approach the Non Executives when they themselves believed that there was a problem with the CEO and/or Chairman.

### 5.3.1a The ‘Patroller’ or ‘Protector’?

Comprehensive analysis of the study participants’ understanding of their Non Executive roles within the boardroom, revealed conflicts in the enactment of their perceived duties that they did not feel had been satisfactorily resolved. The study participants described a major part of their role as that of a ‘patroller’ protecting the shareholder from the self-serving behaviour of management. This is in line with the commonly accepted agency model of corporate governance (Eisenhardt, 1989). The following excerpt highlights the Non Executives perception of the importance of the patrolling role:

*As a director you can no longer afford to sit back and say go figure, I want to know what the managers are up to, I want to know how they made their bonuses.*

**NED 20 Arni**

This emerging theme highlighted an area of some uncertainty for the Non Executive Directors. Despite a clear perception on the part of all those who took part in the study that the organisations’ shareholders were the primary concern of the Non Executive Director, the study participants also clearly believed that ensuring a long-term future for the organisation was their central goal (Johnson and Greening, 1999). Although theoretically these two goals might appear to be aligned, closer examination of the contextual factors within any given organisation, might present the Non Executive with more complex judgements as to how they should conduct themselves within their role in the boardroom.



The short-term requirements of many institutional investors is now well documented (Lowengard, 1997; Johnson and Greening, 1999; Witherell, 2000). The pressure that the study participants perceived is placed by institutional investors on the CEO to perform towards short-term performance goals (Nasi et al. 1997) was clearly articulated by the study participants, as is described in the next excerpt:

*Here you have a secret ballot and a CEO with a job that's either going to prove him or finish him. He's put in some office like a rock, and he inherits this huge jury and the jury votes on him and he's got theoretically hundreds of thousands of shareholders but really it's the vast institutions sitting on billions of dollars. In a community full of hotshot really smart analysts who are constantly ranking you, you are told that every six months you've got to produce. The pressure is that you'd better look back and everybody else's figures had better be worse than yours and certainly better than the last set of figures and in fact you're meant to slightly indicate what you expect those figures to be and then by god they had better be good the pressure is huge to create big figures.*

**NED 18 Joe**

The conflicting signals that the study participants perceived that they received, in terms of the expectations of their wider constituents, caused them to question the purpose of their roles. The study participants perceived that the market might attempt to seek short-term gains even at the expense of the longer-term success of the organisation (Gilbert et al. 1988). The Non Executives believed that protecting the CEO from these short-term market pressures was an important part of their role. However, trying to balance the somewhat conflicting role of 'patroller' of management behaviour with that of market buffer to the CEO created a degree of uncertainty and ambiguity for some of the study participants. Such behaviour might be viewed as more in line with the stewardship model of corporate governance

(Davis et al. 1997) than that of the agency model. This, combined with the pressure that individuals felt to conform to the expectations of others in the boardroom to reach rapid consensus and avoid stressful disagreements, led to a high degree of frustration caused by both ambiguous conflicting role signals (Katz and Kahn, 1978; Friedman and Podolny, 1992; Floyd and Lane, 2000) .

### **5.3.1b Focus: Long-Term v. Short-Term Focus**

The study participants perceived that their own perspectives, in contrast to those of the full time executive board members, tended to be more long-term focused (Oliver, 2000; Johnson and Greening, 1999), and also orientated towards wider issues than just shareholder returns. This is in accordance with the work of both Wang and Dewhirst, (1992) and also Johnson and Greening, (1999) who found that Non Executive Directors recognise that their responsibilities encompass more than shareholders. The next respondent who works as a CEO in one organisation and as a Non Executive in two others captures the contrasting mindsets of a CEO and a Non Executive in terms of taking a long- or short-term perspective on organisational success.

*I think it's fair to say that there is an undue amount of pressure and focus on short-term results. I can tell you as a CEO that I feel like my responsibility is far beyond the current quarters. But I feel that the current quarters are the mile markers. You know the milestones that are important indicators as to whether or not the strategy is being validated or not. As a board member, on the two boards that I sit, we typically focus on longer-term issues. We think in terms of years as opposed to quarters. So one, two, three year, sort of horizons and every once in a while we'll think even longer term.*

**NED 11 Barry**

Although the study participants believed that their goal was the long-term prosperity of the organisation, they perceived this role as being framed within their responsibility as Non Executive Directors to the organisations shareholders. According to the stakeholder perspective, Non Executive Directors serve as representatives and guardians of a range of constituents (Harrison and Freeman, 1999). However, Lorsch and MacIver (1989) found that there was typically little consensus during board meetings about accountabilities to various constituencies; they found that directors almost universally saw shareholders as their top priority (Lorsch and MacIver, 1989). Most of the study participants in this current research, although recognising the importance of constituent awareness, believed that the Non Executive's primary responsibility was to the shareholder and that as a result decisions should always be taken from the perspective of a return on investment.

### **5.3.2 Role Archetype**

#### **5.3.2a Strategic Guide**

McNulty and Pettigrew (1999) found that there was now more pressure on Non Executive Directors to become involved in strategy formulation. This is because of increased corporate governance requirements, which McNulty and Pettigrew believe, has led to an increase in the overall legitimacy of the Non Executive Director. The study participants in this current research generally believed that they should have an important role in moulding the strategy of the host organisation (Demp and Neubauer, 1992). Study participants envisaged their role as that of



guider of strategic action (Forbes and Milliken, 1999). Within this strategic role, the Non Executives described how the actual strategic thinking should emanate from the CEO and the Executive board members.

The Non Executives perceived that their role was to draw on their own previous experiences to guide the executive team (Hermalin and Weisbach, 1988), in order to ensure the successful implementation of corporate strategic action. These findings are broadly in line with the conclusions of other studies which have examined the strategic role of the Board of Directors (Tashakori and Boulton, 1983; Mace, 1986; Lorsch and MacIver, 1989; Johnson et al. 1996; McNulty and Pettigrew, 1999; Kakabadse et al. 2001).

Although several of the study participants were able to provide some evidence of occasions when they had in some way been able to affect corporate strategy (Lorsch and MacIver, 1989), there also emerged an underlying feeling of discontent in many of the study participants' accounts of the Non Executive's role. The study participants clearly perceived that their skills and knowledge were often not called upon enough during board meetings (Forbes and Milliken, 1999), leaving them feeling under-utilised and subsequently undervalued. Directors are more likely to be involved in strategy if it is made an important part of the boardroom agenda and is accompanied by information sharing, open debate and is not dominated by the CEO (McNulty and Pettigrew, 1999). Analysis of the current research findings suggests that the study participants perceived that many of the boards with which

they were involved had problems in the way that information and debates were managed, and with leaders who demanded control of boardroom communication.

### **5.3.2b Giving Counsel**

The Non Executives discussed their desire to encourage 'best practice' within the organisations with which they were involved. Some described their frustration at not being listened to by others in the boardroom; in particular the female Non Executive Directors described feelings of tokenism.

*It was (hard) to work with the former chairman because he so trivialised women and he was such an abusive type of person and while to my face he was like well you know we were so lucky to get someone so smart and all this baloney. I always felt like he discounted what I had to say.*

**NED 3 Liza**

Some male Non Executives also described their perception that they were viewed by others in the boardroom as being employed by the host board more for who they were, rather than what they had achieved and were capable of contributing to the debate as the following excerpt suggests:

*I was just there for show as far as I am prestigious.*

**NED 7 Ray**

The study participants talked about sometimes feeling that their opinions did not hold credibility within the group and their frustration at not being able to influence boardroom decisions. Hovland and Weiss (1951-52) in their study explored how low credibility sources are unlikely to influence the opinions of the message receiver, at least at the point where the message is transmitted. However, they

discovered that over time even those sources with low credibility were able to influence the perceptions of the message receiver. This is described as the ‘sleepers effect’. In the context of this study the sleepers effect may allow even those individuals who have low credibility within the role set to achieve some level of influence over time, but only if they are able to at least speak up and be heard by the group.

The study participants often described feelings of frustration; they did not perceive that their Non Executive voices carried much weight in boardroom meetings. In contrast to their role inside the boardroom, however, many of the Non Executives discussed how they worked outside of the boardroom on an individual level with the CEO as a personal mentor and advisor. The study participants reported that much of their advising/mentoring role took place away from the main boardroom on a one-to-one basis with the CEO, possibly because this is less intimidating and confrontational for both parties. The Non Executive in the next excerpt illustrates this:

*It is to be an advisor to the CEO, an off line advisor. One thing that is misinterpreted a lot is that certain people don't speak up a lot in a boardroom and so some people say "oh god they have no value". Then you come to find out, you talk to the CEO, this is the person that they call three or four times a week off line and say what do you think about this?*

**NED 3 Liza**

The informal dialogue between the CEO and individual Non Executive was perceived by the study participants to be very important to their ability to influence boardroom outcomes. The study participants talked in detail about the conversations



that they had with the CEO outside of the boardroom, however the Non Executives also expressed their perception of the need to develop informal linkages outside of the boardroom with other members of the group. This, the study participants believed, would facilitate a deeper understanding of the organisational context (McNulty and Pettigrew, 1999). One-to-one mentoring outside of the boardroom, although useful, is likely to lead to even greater centrality and control of information flows to the singular advantage of the CEO.

### 5.3.2c Setting the Tone

According to both Pfeffer and Salancik, (1978) and Zahra and Pearce, (1989) boards play an important role in enhancing organisational legitimacy. Thompson (2004: 40) suggested that a companies board composition may influence organisational values, he posits that the “background, personalities and values of managers and directors is the most direct instrument for installing new company values”. The study participants in this current research project discussed the problems that they face in trying to influence social responsibility behaviour within the large complex organisations in which they worked. The Non Executives described how often their only involvement with the company was on a once monthly or even two monthly basis, with little access to managers and often limited knowledge of the organisation’s business (Pettigrew and McNulty, 1998). The perceptions of many of the Non Executives is summarised in the words of the next study participant:

*It's difficult, very difficult for outside directors to influence that (CSR). And the reason is, to go back to your earlier point, in order to really do a good job there, they have to fully understand the full business. So if they don't understand the full*

*business it's very hard to deal with social responsibility because they don't understand the social value. Frankly that's one of the ones that you get to last on the continuum. If you put financial and salary levels first, getting clear to the end would be social rights. So you would have to have a very knowledgeable board to have much of an effect on the social side.*

**NED 1 Warren**

It emerged very strongly from the research that for a suggestion to be carried forward by the board, it required the presence of either an individual who was respected and viewed as highly capable by the board (Jones and Wortman, 1973), or a group of individuals who were prepared to act together to achieve their ends. In the specific case of social issues, a further requirement for constructive action was the presence of an individual who was viewed by the rest of the group as being knowledgeable (Chattopadhyay et al. 1999) in the area of social responsibility. This group perception tends to develop either through the implied reputation the individual has developed whilst working on other boards that were considered to be good corporate citizens, or through the NED's personal track record as an advocate of specific responsibility issues.

In the following example, a Non Executive who was considered by the role set to be a highly capable member of the board, made a suggestion that the company needed to be more aware of social responsibility issues. The CEO didn't agree with the Non Executive in question but the other Non Executives supported him:

*Most of the Non-Executive Directors said 'no, wrong, we do have to pay attention to this'.*

**NED 10 Phillip**

This particular dynamic of Non Executives having to work together to achieve specific goals emerged consistently throughout the analysis, as a key to successful contribution.

### **5.3.3 Boundary Spanning**

Zahra and Pearce (1989) argued that providing channels of communication with the external environment through boundary spanning was one of the key elements of the Non Executive Director's role. Boundary spanners are considered important because they can straddle the boundary between the organisation and its environment, gathering and then feeding back information about emerging issues, and also representing the organisation to its environment (Tushman and Scanlan 1981; Wood 1994; Pava and Krausz 1997; Manev and Stevenson 2001) According to Pava and Krausz (1997: 340), only through an active stance on the part of boundary spanners can the organisation hope to fulfil its social responsibility mandate.

Many of the study participants in this current research believed that they had been employed by their host boards because of their relationships and experiences outside of the organisation, this reflects the resource dependency literature which views the Non Executive as a boundary spanner (Geletkanycz and Hambrick, 1997; Daily and Cannella, 2003; Hillman and Dalziel, 2003). Boundary spanners bridging the divide between the organisation and its environment and feed back relevant information to



management (Wang and Dewhirst, 1992). Friedman and Podolny (1992) argue that managers who are also boundary spanners frequently suffer from role conflict.

Johnson and Greening's (1999) research found that Non Executive Directors are sometimes employed specifically to attend to certain constituent groups. However, it emerged from the analysis presented in chapter four, that in contrast to much of the previous research, the potential of the Non Executives to fulfil this role was rarely utilised by the host organisation and sometimes even actively discouraged. This finding contradicts earlier research which has argued that boards provide the link between managers and shareholders and the wider environment ( Fama and Jenson, 1983; Pettigrew, 1992; Forbes and Milliken, 1999; Johnson and Greening, 1999; Pearce and Zahra, 1991; Meyer, 2000). This is highlighted in the next excerpt.

*I said to him (the CEO) "what should I do about making myself known to him and getting to know some of the major institutional investors" and he looked at me and his face froze and he said "you're not to go near them" and I said "why not?" and then our senior Non-Executive Vice Chairman of the board, said "well this is a very touchy matter this, it could lead to all kinds of misunderstandings."*

**NED 10 Phillip**

In addition to being discouraged from developing linkages with external constituents, the Non Executives also discussed their perception that despite sometimes being employed because of, for example, highly specific skills such as government or international contacts or knowledge of particular markets, these skills

were often left untapped by the organisations that employed them. This created role conflict characterised by feelings of frustration and devaluation amongst those Non Executives who experienced it. Their sentiments are captured by the following remark:

*I have always been disappointed that boards have not used my skills as an international businessperson.*

**NED 22 Harry**

Emerging from the study was a strong perception of the Non Executive Directors' reluctance to offer their opinions within some boards, even when they related to issues with which they were very familiar. The analysis showed that this problem was particularly acute in those boards where contact outside of the boardroom was discouraged. To successfully perform boundary spanning some authors have argued that an individual must work equally inside and outside of the organisation (Tushman and Romanelli, 1983; Manev and Stevenson, 2001). The Non Executives emphasised their perception that information was not always made available to them, that the information that was forthcoming was sometimes difficult to understand, and that access to key managers and even other board members was at times problematic. Without these internal linkages, the ability of the Non Executives to influence organisational behaviour would be limited in view of the work of Tushman and Romanelli (1983) and Manev and Stevenson (2001). As this study only explored the perceptions of the individual Non Executive Director, further work is necessary to test the full implications of internal accessibility before legitimate conclusions can be drawn on this particular point.

### **5.3.3a Balancing Constituent Demands**

The frustration that the Non Executives express may be due to role conflict, although some previous studies have suggested that senior managers may not suffer from role conflict problems to the same extent that lower echelons do ( House and Rizzo, 1972; Hamner and Tosi, 1974;). Non Executive Directors are unique in that, unlike other executives, their roles put them in a position of only partial inclusion in relation to the host organisation (Weick, 1979). Non Executives perform multiple roles whilst receiving conflicting signals of success and effectiveness from the constituents they serve (Nandram and Klandermans, 1993). The groupthink phenomenon that the study participants describe, acts to inhibit the Non Executives from performing the roles that they perceive as expected of them by their wider constituents. This emerged from the analysis as leading to deep levels of frustration caused by the internalised role conflict that Non Executives appear to experience.

The study participants discussed their belief that the Non Executives' primary responsibility was to the shareholders of the organisation. However, the study participants also believed that Non Executives had a duty to protect the interests of other constituents, in particular, employees, customers and sometimes the wider community. Weidenbaum (1986) argued that the desire of some directors to be more socially responsive might have led to confusion over where a director's ultimate responsibility belongs.

Somewhat in contrast to their voiced belief that they recognised a wider stakeholding community, many study participants described board meetings where,



despite possibly serious implications for wider constituents, certain issues were not properly addressed and were sometimes not mentioned at all. Lorsch and MacIver (1989) categorised board members into three categories (see literature review): firstly, traditionalists who adhere strictly to a belief in the primacy of the shareholder; secondly, rationalisers who see the conflicts and feel the tensions inherent in their responsibilities in an increasingly complex world, however they rationalise them away; and thirdly, broad constructionists who openly recognise that their responsibilities encompass more than shareholders. If this attitude creates conflicts they recognise and deal with them (Lorsch and MacIver 1989: 39). Most of the participants in this current research seemed to perceive that they were either broad constructionists or rationalisers, but their discussions of their actual board experiences generally place them as either rationalisers or traditionalists.

Very few study participants suggested through their accounts of actual behaviour that they could be categorised as true broad constructionists. Their accounts of boardroom events suggest that rather than deal with the conflicting opinions of their fellow board members or the domineering opinions of a particular CEO or Chairman, some Non Executives prefer to keep the status quo and avoid further conflict. This may be on a conscious or even sub conscious level as Kahn et al. (1964) suggest that individuals when faced with a cognitive discrepancy may actually avoid thinking about the information by disengaging. The following example suggests that this may be the route that some Non Executives take:

*I think that talking about constituents around the boardroom table is something that many boardrooms would have a difficulty in understanding*

*because, you see, they have gone around it rather cleverly and manipulatively which is probably the way that most boards would handle most issues, they'd say how can we kick it in the long grass or go round it another way.*

**Jane NED 7**

The kind of behaviour described in the above excerpt may well be as a result of groupthink (Janis, 1971; Janis, 1972). Although individual Non Executives are now bombarded with information about their responsibilities to wider constituencies, they, as a group, may choose to ignore the issue because it creates stresses within the group. This is despite the Non Executive's clear perception of the importance of maintaining personal reputation, which for the Non Executive is the key to their personal future earning potential (Weigelt and Camerer, 1988; Wilson, 1985; Fombrun and Shanley, 1990).

*There are two things that move NEDs by and large, one is the risk to their personal reputation and the second is the whole corporate governance risk management type of thing.*

**NED 7 Ray**

Non Executive Directors may consciously or subconsciously choose to ignore external pressures to behave in a certain way because of the importance of remaining part of the social set. Although having a reputation for being a powerful Non Executive might provide individuals with possible high status and subsequent high earning potential, it is argued that being viewed as someone who fits in with the social set and "toes the line" may also be a winning financial strategy for the individual.

### 5.3.3b Dealing with Complexity

It emerged from the analysis that the Non Executives often had little opportunity for discussing “soft” issues. Most of the board’s work was carried out using financial language where the “bottom line” was viewed as the main indicator of success or failure (Eisenhardt et al. 1997). The study participants perceived that because of this, it was difficult to develop social strategies in the boardroom. The reason for the use of financial language within the boardroom is explained in the following quotation:

*They can talk about a vice president of engineering’s salary, because they are comfortable doing that and they’ve done that for 25 years so they can handle that. But when it gets into understanding the production process in a company that is described often in board meetings with jargon that sometimes is security driven inside the company, that’s a tougher thing for them to view.*

**NED 1 Warren**

The highly complex nature of the boardroom environment and the requirement to quickly understand problems and reach difficult decisions led the Non Executives to operate within a bounded context, based on personal experience and easily measurable financial data. Many of the study participants discussed important decisions being made in the boardroom based on one board member’s personal experiences of an issue. One Non Executive described how a whole range of consumer issues within one of the largest corporations in the UK were discussed as “Jane’s mothers issues”.

*I would take it into the boardroom and I’d say now look gentlemen, my mother, and this became a bit of a lark around the boardroom table. People would say now we’ve*



*got a new strategy, but shall we check it with Jane's mother. In a way Jane's mother became the customer.*

**NED 7 Jane**

The NED's who took part in the study appeared to be describing a kind of bounded rationality (Cohan, 2002) or cognitive nearsightedness (Katz, 1959), that allowed them to cope with the complexity of the boardroom environment. Bounded rationality relates to the inability of human beings to obtain and understand all the information necessary to make a fully informed decision, and argues that we therefore make decisions based on our limited and incomplete knowledge of the world (Simon, 1957). The limitation of strategic options by group members is also a symptom of groupthink. Over-reliance on limited options and the use of the bottom line as the major indicator of performance may lead not only to poor but also unethical decision-making by the group (Sims, 1992).

### **5.3.3c Director Interlocks**

Interlocking directorates are widely considered to be a valuable way of co-opting external resources (Pfeffer and Salancik, 1978). Director interlocks occur when a director of one firm sits on the board of another (Boyd, 1990). The responses of the Non Executive Directors who took part in this study would suggest that their links with other boards had a significant effect on their ability to contribute, and also the type of contribution that they were likely to make in the host board. This finding supports that of Nicholson et al. who proposed that a "significant part of the social

capital of a board comes through the person to person contacts that board members make” (Nicholson et al. 2004: 66).

The Non Executive Directors appeared to be motivated to attempt to influence certain issues because of their connection with them elsewhere (Nicholson et al. 2004). Further, this research suggests that their influence attempts are likely to gain credence within the group through the implied reputation of these other boards with which they are associated. For example, having linkages with a board with a strong reputation for social good places the individual in a better position to influence other boards on these same issues.

However, the study participants reported their perceptions that although Non Executives were able to use interlocks to learn about new practices and current trends they also tended to pick up bad practices, which they then disseminated onto other boards with which they are involved. This is highlighted in the next comment:

*Often what they do when they get together is actually spread bad practice they don't spread good practice, I'll tell you what old chap, I'll tell you what I've done in the past, and it's worked a treat and you hear them spreading bad practice.*

**NED 7 Jane**

Non Executive Directors may easily learn bad behaviours as quickly as they learn positive ones, particularly as, according to the study participants, there are few sources of legitimate educational opportunity available to them.

Useem (1984) and Lorsch and MacIver (1989) both discussed how executives used interlocks to “scan “ the business environment for the latest innovations in business practice, later Haunschild and Beckman (1998) found that director interlocks influenced firm acquisition activity. It emerged from interviews for this research that a range of strategies were likely to be influenced by the linkages between individual Non Executives working within different organisations. Specifically, the likelihood of host firms adopting corporate responsibility practices appears to be influenced by the experiences of individual Non Executives working within other boards where such practices are already successfully in use. The next quote exemplifies the effect of the Non Executive working in multiple boards on the host organisation:

*I have always seen working on boards as a complement to the other work that I am doing in that it provides me with new experiences and opens me to situations in business that I would not otherwise encounter. I am often thinking about other businesses that I work with when I am in a board meeting and how what we are dealing with there could be applied elsewhere.*

**NED 17 Vicky**

It emerged from this current study that Non Executives with interlocks between firms with high credibility may, as a result, be assigned greater credence within the host boardroom team. This enhanced credibility might improve the ability of the individual Non Executive to effectively perform boundary spanning activities. As suggested by Tsui (1984) and later by (Tsui et al. 1995), other team members' perception of an individual's effectiveness may facilitate the individual's ability to perform his role creating a “positive spiral of performance and reputation” (Tsui et al. 1995: 1528).



Some authors have argued the importance of boundary spanners generally, in encouraging corporate responsibility practices within organisations (Frederick, 1978; Pava and Krausz, 1997). This research highlights the boundary-spanning role of the Non Executive Director. The study suggests that when Non Executives have gained experience of the treatment of social issues in other boards and are viewed as having strong capabilities by the rest of the host board they may be able to influence corporate social responsibility practices.

#### **5.3.4 Improving Board Effectiveness**

##### **5.3.4a Skills, Training and Facilitating Capabilities**

The study participants generally perceived that having diverse skills in the boardroom was highly advantageous to the overall effectiveness of the group. However Kakabadse et al. (1998) found that simply placing highly capable individuals onto a team will not in itself make a team, work effectively. Time, good management and the right mix of individuals are essential for long-term success.

Turning a group of highly capable individuals into a dynamic team that understands each other's and the organisation's needs, takes time and commitment from the group, its leadership and the wider organisation. At the organisational level some study participants described boards that had their own staff. One individual described how a board with which he worked assigned each board member with a

“staffer”. This individual ensured that the board member was up-to-date, had what they needed and generally facilitated the role.

*They (the staff) did the agendas and they did the follow up memorandums and they'd schedule the next meeting...determine if there were follow up items we hadn't done yet, try to do it more quickly. Um, and then make sure that all the other people who had follow up items weren't going to be embarrassed when they came to the meeting, we would call them and if they hadn't got it done, we'd try to help them work it through.*

**NED 9 Geoff**

The latter comment describes a board that appears to have strong internal linkages between the Non Executives and the company's management team. Simple awareness of the capabilities of those in the boardroom may be an obvious, but frequently missing, first step towards exploiting the Non Executive Director's capabilities. Forbes and Milliken (1999) argued that just because individuals have specialised skills and knowledge, the availability of this expertise within a group does not guarantee its use.

There was a general perception amongst the Non Executives who took part in the study that more training and advice needed to be made available to them (Pierce, 2001). Some study participants also highlighted that the problem was not simply a lack of sources for Non Executive training services, but also that it was difficult to teach the kind of skills that the Non Executives required. The study participants perceived that those companies that were offering training were not always equipped with personnel who had the requisite experience to understand the issues facing Non Executives working in such complex environments:

*We've been talking about training and things like that. But actually, at the end of the day when you go out and research what is there, and you suddenly think, you know more on this than those people. How are you going to train people to have the confidence to challenge? It's a difficult one to get right.*

**NED 13 Hanna**

This lack of external resources may mean that boards of directors need to look amongst their own number for training. The analysis of this research suggests that Non Executives already use their boardroom experiences to develop their skills. Recognising this, and possibly through a board facilitator developing in-house training strategies, may be the best way forward.

Additionally, the recognition of a missing capability in the boardroom may lead to the employment of a new member. The analysis of the research findings presented in the last chapter would suggest that when a new person joined a board with a superior understanding of an issue than those already present, the new individual's ability to speak out, gave others the courage to then enter the debate. This type of boundary spanning mentor appears to be valuable in that not only are new skills brought to the initial host board, it would also appear that when Non Executives witness a strategy which they like on one board they are likely to transfer it to other boards within their network.

The Non Executives perceived that one caveat to this type of boundary spanning mentoring (as has already been discussed in section one) was that it was as easy to spread bad practice, as it was good. This is exemplified in the next comment:



*There's no advice and council for non-executive directors and often what they do when they get together is actually spread bad practice they don't spread good practice, I'll tell you what old chap, I'll tell you what I've done in the past, and its worked a treat and you hear them spreading bad practice.*

**NED 7 Jane**

### **5.3.4b Board Assessments and Job Descriptions**

It emerged from the research that very few of the study participants had ever been given any kind of job description during their time as a Non Executive Director; this was particularly surprising as all those that were questioned felt that it would be a useful tool in fulfilling their roles. This lack of any formal understanding or explanation of the expectations of those around them may go some way towards explaining the bewilderment that many Non Executives report in their attempts to make a contribution to their host organisations.

*I have never gotten a job description; I mean what is the role? What's your expectation, meetings and attendances? And then what you do with those things, no I don't think it is as clear as it could be.*

**NED 3 Liza**

*I mean it is good governance, like I think, the chairman and the chief executive should define who does what between the two, that doesn't happen very often, having done it, you'd probably put it in the bottom right hand drawer and never look at it again, but I think it is, and it does pay, particularly when one or another or both are new, I think it does pay to have the discipline to do that.*

**NED 15 Martin**

The simple provision of a job description for board members may go a long way towards reducing role ambiguity for the Non Executive Director (Katz and Kahn,

1978). This, in conjunction with an annual away day to re-evaluate the purpose of the board, could provide a starting point for more effective group behaviour. Once individuals are clear about their role within the group they may then feel justified in speaking up and making a contribution when it is required (Floyd and Lane, 2000).

It emerged in chapter four that although a single factor can influence the ability of the Non Executive Director to contribute, it is much more likely that a complex combination of factors work together to either enable or inhibit successful boardroom contribution.

### **5.3.5 Section Three Summary and Conclusions**

Some disparity existed between the Non Executives' expectations of their role and the roles they actually performed in the boardroom. Although the study participant's personal role expectations were in line with much of the previous work on the operations of boards of directors, the reality of the Non Executive role tended to be much more mundane. The study participants' expectations of power and control were often unrealised, their ability to influence decisions hampered by dominant CEO's and an inability to form alliances with other Non Executives with whom they worked in the boardroom.

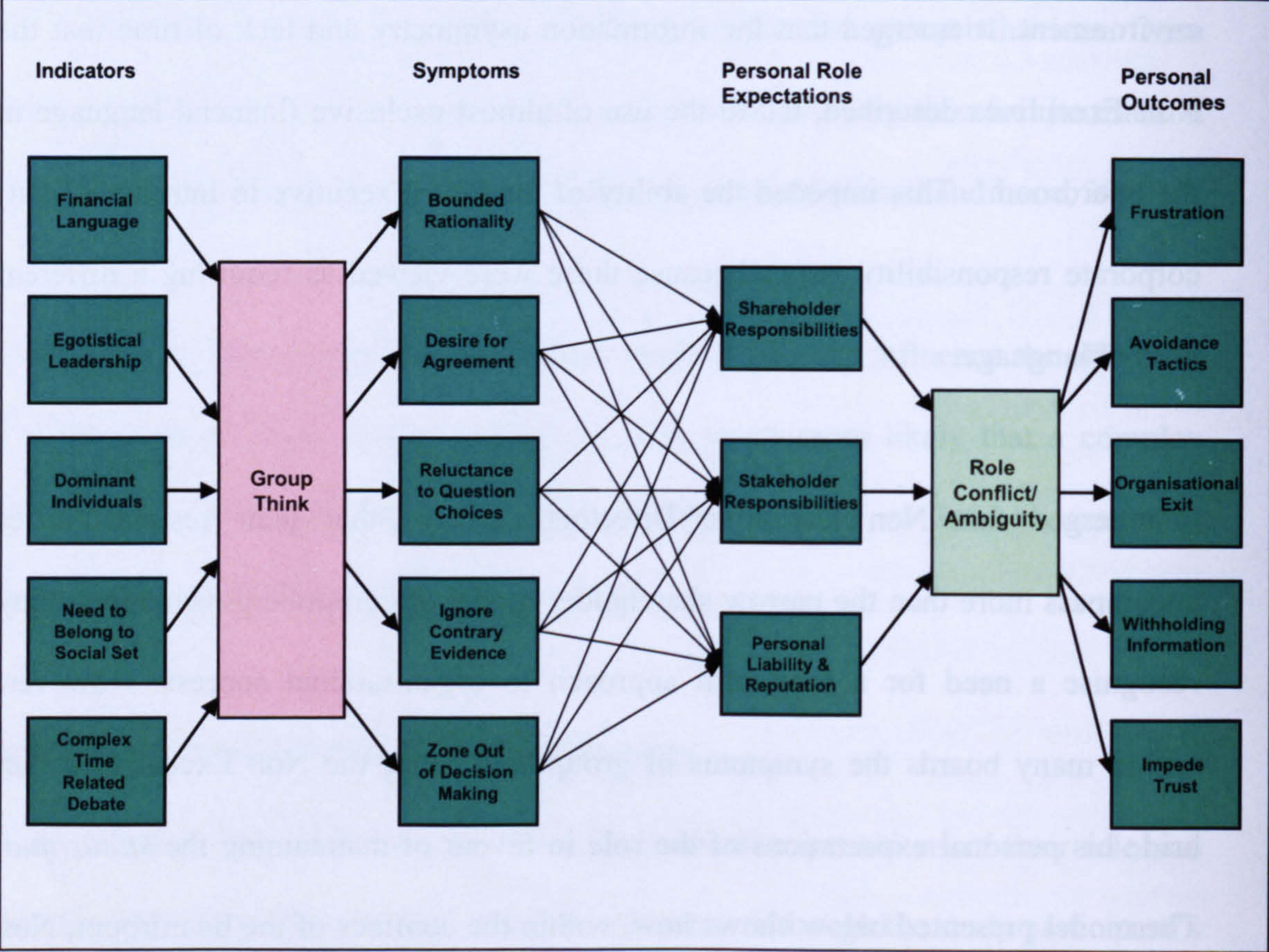
The emerging outcomes of the analysis of this final theme would suggest that the study participants perceive that they were poorly utilised by their boards. Their views suggest that boards do not provide them with the tools that are necessary to fulfil the Non Executive role effectively. Informants described the need for better

access to information, training, support, more time and a more effective team environment. It emerged that the information asymmetry and lack of time that the Non Executives described, led to the use of almost exclusive financial language in the boardroom. This impeded the ability of the Non Executive to introduce (soft) corporate responsibility issues because these were viewed as requiring a different kind of language.

It emerged that Non Executive Directors perceive that their responsibilities encompass more than the narrow shareholder model of corporate governance; they recognise a need for a long-term approach to organisational success. However, within many boards the symptoms of groupthink cause the Non Executive to set aside his personal expectations of the role in favour of maintaining the *status quo*. The model presented below shows how, within the confines of the boardroom, Non Executives may experience groupthink. This leads them to behave in a manner which conflicts with their private beliefs, commitments and notions of acceptability. The role conflict and ambiguity that is created by this scenario leaves the Non Executive with deep feelings of frustration, discourages information sharing, impedes trust within the group and may ultimately drive the Non Executive to wish to leave the organisation.



Figure 5.7 The Effect of Groupthink on the Non Executives' Commitment to Corporate Responsibility



Source: Compiled by the Author

### 5.5 Chapter Summary and Conclusions

The discussion presented in this chapter, revealed the study participants' perceptions of many problems within the boardroom. Study participants described themselves as feeling intimidated, isolated and undervalued and confirmed their frustration at not being able to effectively fulfil their perceived Non Executive roles. The study participants discussed their fear of stepping forward when they had a problem for fear of ridicule and censorship by the group.

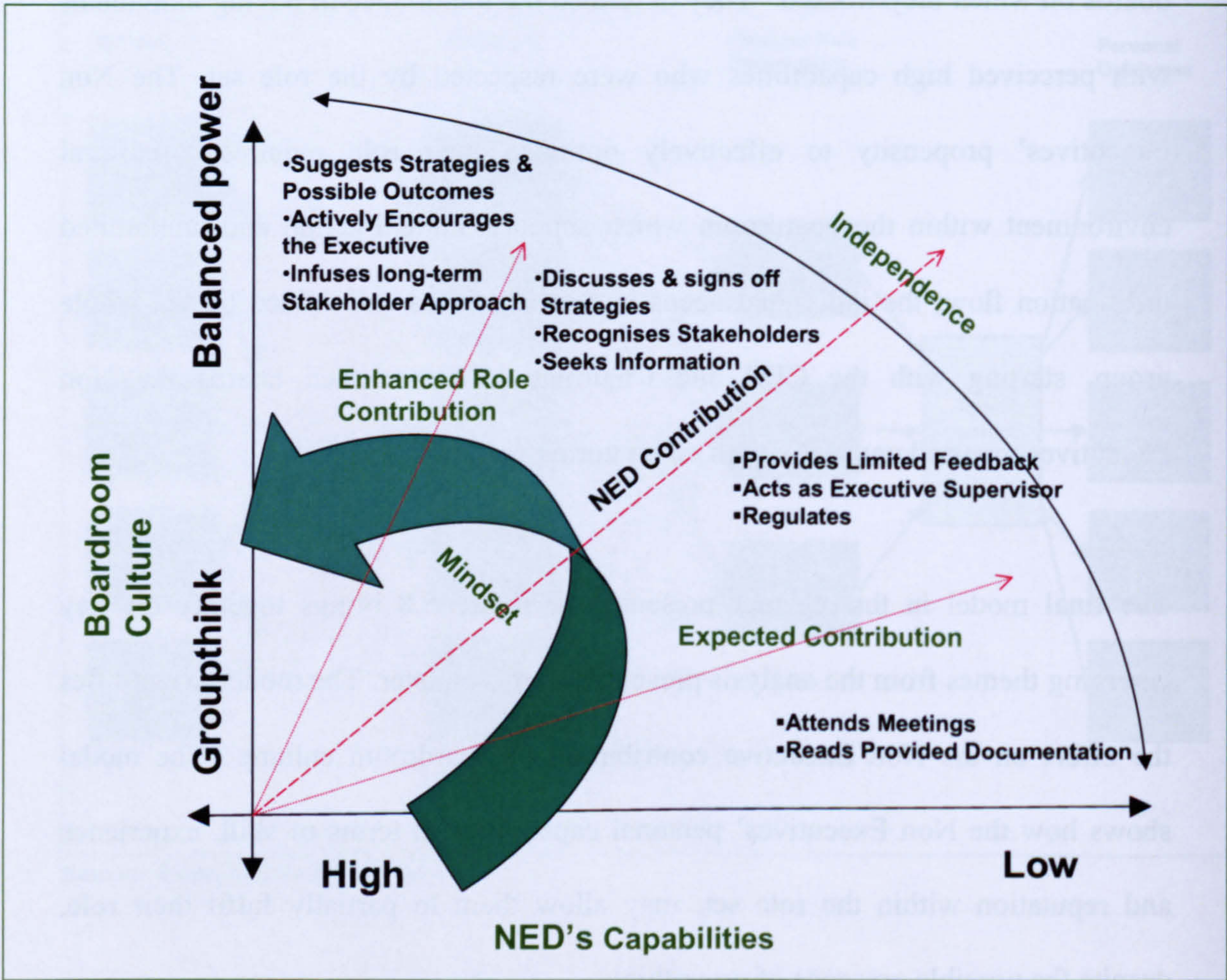


Some Non Executives did provide positive examples of behaviour on some of the boards on which they worked. They described the importance of having individuals with perceived high capabilities who were respected by the role set. The Non Executives' propensity to effectively optimise their role requires a cultural environment within the boardroom which supports mutual action and uninhibited information flow; the individual needs to feel supported and valued by the whole group, starting with the CEO and Chairman. Within such boards the Non Executives reported unusually high effort norms.

The final model in this chapter presented in figure 5.8 brings together the key emerging themes from the analysis presented in this chapter. The model exemplifies the effect on the Non Executive contribution of boardroom culture. The model shows how the Non Executives' personal capabilities in terms of skill, experience and reputation within the role set, may allow them to partially fulfil their role, despite the possible presence of groupthink.



Figure 5.8: Non Executive Director Role Fulfilment



Source: Compiled by the Author

Optimum contribution is likely to occur within a board with balanced power structures where individuals' conflicting and diverse opinions are encouraged, populated by individuals with perceived high capabilities. Those Non Executives with strong personal capabilities were, at times, able to overcome some elements of a poor boardroom environment but were still unlikely to be entirely effective; such individuals were more likely to seek organisational exit, due to their private frustrations about their conflicting role expectations and fears about the loss of



personal reputation if future corporate failure were to occur through poor board management.

The initial analysis of the role and contribution of the Non Executive Director, which was presented in chapter four, has been explored in this chapter in the light of existing research. A number of explanatory models have been presented to aid the reader's understanding of the complex phenomenon. In the next chapter, the final model will be presented which brings together the many dynamic factors that emerged from the research analysis in chapters four and five. The application of the research findings and the emergent model, will be used in chapter six to address the research questions that were introduced in chapter two. Chapter six will also introduce a set of propositions designed to test the emergent model and stimulate future avenues of research.

## **Chapter Six: Revisiting the Research Question**

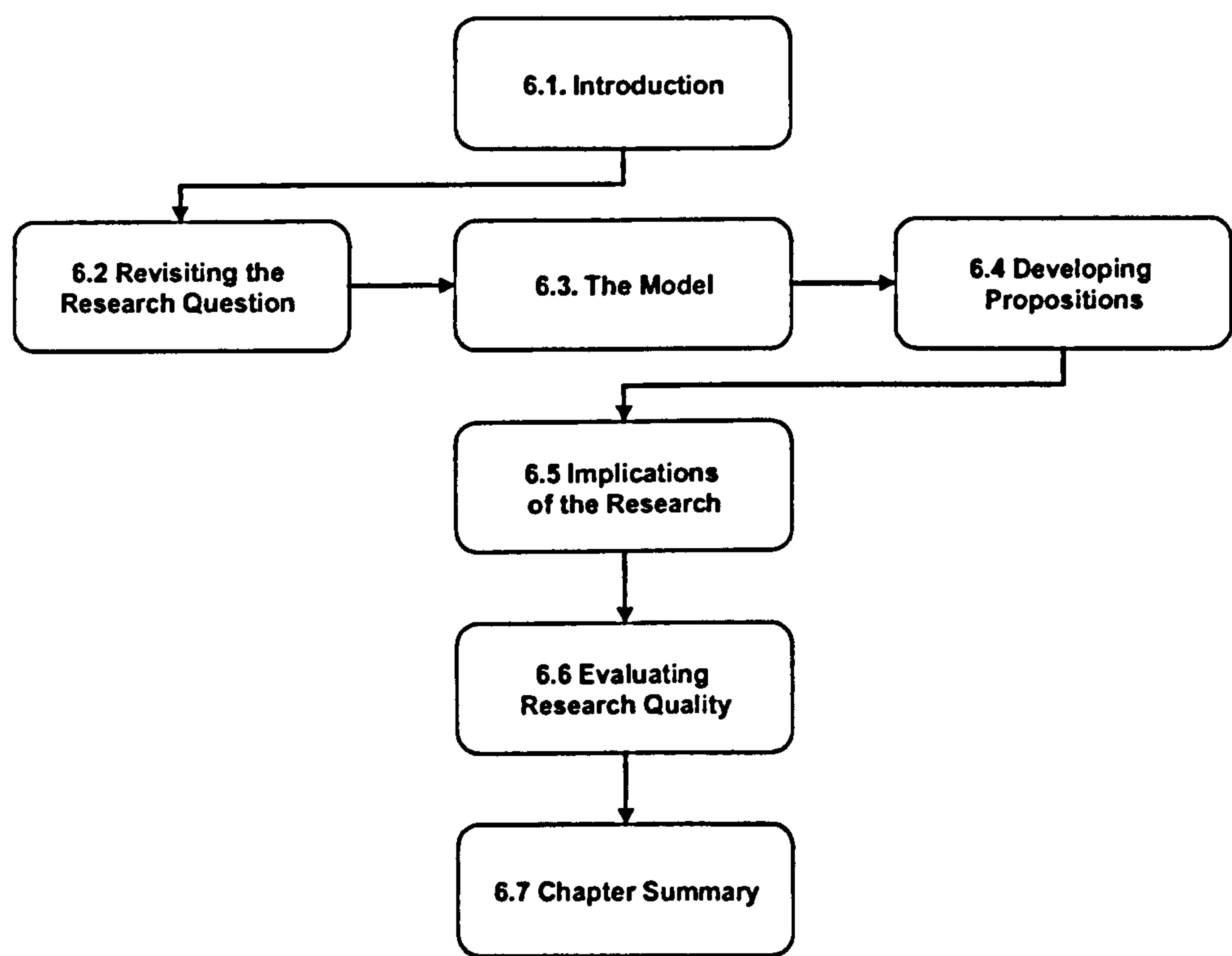
### **6.1 Introduction**

Chapters four and five of this thesis presented a comprehensive and complex analysis of the research examining the role and contribution of the Non Executive Director from their own perspective. This chapter will examine the findings as they relate specifically to the primary research question.

Following the review of the key research findings, this chapter will present a tentative model and a set of propositions, which might be used to test the proposed model. The implications of the main research findings will then be discussed; the chapter closes with an evaluation of the quality of the research. The outline of this chapter is provided in figure 6.1:

.

**Figure 6.1 Outline of Chapter 6**



**Source: Compiled by the Author**

**6.1.1 Concluding the Research**

The overarching aim of this research was to explore how Non Executive Directors, in their role as boundary spanners on corporate boards, balance divergent expectations whilst contributing to corporate responsibility practices. Through an analysis of the subjective perceptions of (25) individual Non Executive Directors gathered over a two year period, the analysis presented in chapters four and five provided insight into a hitherto little explored area of management research (Cohan, 2002; Forbes and Milliken, 1999; McNulty and Pettigrew, 1999; Pettigrew, 1992).

The literature review presented in chapter two revealed that despite much interest in the role of the Board of Directors, there has been little empirical work to date which



has examined the actual role of the Non Executive Director from the director's own perspective, or the effect of directors on corporate responsibility practices. As a result it was considered most appropriate for this research to adopt an exploratory, interpretative approach to social enquiry. The subjective perceptions of the Non Executives themselves were analysed in order to understand their roles, expectations and different perspectives.

By using the study participants' own thick descriptions of their role within the corporate board, the methodology which was used to address the research question has uncovered both broad and deep evidence of the behaviour of the Non Executive Director (Thompson 2001; Denzin 1989; Geertz 1973). This has afforded a rich, detailed – and often colourful – account of the Non Executive role within corporate boards, portraying a role that is influenced both by the individual's own abilities and also the environment within which he performs the role. The complex and contextual nature of the research phenomenon intersects a number of theoretical fields; in particular the analysis has drawn on role, group and corporate governance literatures to underpin this exploration of the Non Executive Director within the boardroom context.

The following section provides a discussion of the key findings of the research in the light of the posed research question.

## **6.2 Revisiting the Research Question**

This research has explored the complexity of the role and contribution of the Non Executive Director, through the individuals' own perceptions of their role. The underlying purpose of the research was to understand:

**How do Non Executive Directors in their role as boundary spanners on corporate boards, balance divergent expectations whilst contributing to corporate responsibility practices?**

This section will focus on exploring the findings of the research as they relate to the overarching research question. As in the previous analysis the discussion of the research findings will take place under three headings; role set interactions, perceptions of boardroom leadership and primary role focus. The section will be followed by a tentative model (figure 6.2) generated from the key research findings. The section will conclude with a series of propositions, which may be used to test the validity of the model.

### **6.2.1 Role Set Interactions**

#### **6.2.1a The Non Executive Director**

Non Executive Directors are unique in that their roles place them in a position of only partial inclusion in relation to the host organisation (Weick, 1979). The research revealed that they perform multiple roles whilst receiving conflicting signals of success and effectiveness from the constituents that they serve.

The analysis exposed conflicts in the enactment of the Non Executives' perceived role. Their role expectations encompass control elements in line with the normative agency approach to corporate governance (Eisenhardt, 1989), but also long-term organisational goals which more closely reflect the behaviour of a steward (Davis et al. 1997). When faced with the competing objectives of stakeholders and shareholders, stewards are motivated to make choices that are in the best interests of the organisation (Davis et al. 1997). In particular, to achieve long-term sustainability the Non Executives argue that it is sometimes necessary to protect the CEO from short-term market pressures (Nasi et al. 1997; Gilbert et al. 1988) in order to make it easier for him (*the CEO*) to make effective long-term strategic decisions.

The research findings suggest that Non Executive Directors perceive that their responsibilities entail more than the narrow shareholder model advocated by neo-classical economists such as Friedman (1962). Non Executive Directors personally recognise a need for a long-term approach to organisational success incorporating wider constituent goals (Johnson and Greening, 1999; Wang and Dewhurst, 1992). They perceive that their goals within the Non Executive role are sometimes divergent from their Executive colleagues, in that managers are predisposed to focus more on short-term profitability issues (Johnson and Greening, 1999). Non Executive Directors perceive pressure from within the host board and also from the wider social set of board members to conform to the behavioural norms of the group (Westphal and Khann, 2003).



### **6.2.1b Corporate Responsibility Practices**

The research revealed that some factors increased the likelihood that the individual Non Executive will attempt to influence corporate responsibility behaviour in the host organisation. Gaining an insight into the operationalisation and value of corporate responsibility issues was of key importance. However, this research suggests that Non Executives lack adequate resources for training and mentoring. Many individuals are, as a result of this, reliant on their working and social connections with the wider set of Non Executive Directors. The research adds to our understanding of interlocking directorates as alternative sources of information (Haunschild and Beckman, 1998; Haunschild, 1993).

### **6.2.1c Director Interlocks**

Non Executive Directors rely upon their interlocks to scan the environment for the latest innovations in business practice (Nicholson et al. 2004; Lorsch and MacIver, 1989; Mace, 1986; Useem, 1984). Haunschild and Beckman (1998) found that director interlocks influenced firm acquisition activity. The findings of this current research suggest that corporate responsibility practices may be similarly affected, suggesting a link between director interlocks and corporate responsibility practices. The research has revealed that the use of interlocking directorates by Non Executives can generate both a positive and a negative influence on their power and motivation to make a beneficial contribution to specific issues, because interlocks spread bad as well as good practices.

#### **6.2.1d Using Individual Capabilities**

When Non Executives gain an insight into the operationalisation and value of dealing with corporate responsibility issues in one board, they appear more likely to try to take their new knowledge to other boards. Additionally, the research suggests that other host board members may attach greater credence, and as a result acquiesce to individuals whom they know are associated with boards that have a positive reputation for advocating corporate responsibility issues. This is because other team members' perception of the individual's effectiveness may moderate the individual's ability to perform his role (Tsui, Ashford et al. 1995: 1528).

Westphal and Khann (2003) argue that high status board members may not always be subject to social controls to the same extent as lower status board members. The findings of this research suggest that the Non Executive's ability to contribute to corporate responsibility is affected by the perception, of the group, of the individual's capabilities. Non Executive Directors with interlocks between firms with high credibility may, as a result, be assigned greater credence within the host boardroom team, creating a "positive spiral of performance and reputation" (Tsui, Ashford et al. 1995: 1528).

#### **6.2.1e Conflicting Opinions**

The complex nature of the decisions facing the corporate board might be expected to lead to high levels of cognitive conflict amongst board members (Forbes and

Milliken, 1999). Such conflict was, however, rarely expressed in the boardroom (Mace, 1986). Instead, many individuals displayed functional commitment (DeLamater et al. 1969). Rather than voicing concerns, they remained silent, even when they were unhappy or unclear about an issue, in order to allow rapid group consensus. The Non Executives appeared to effectively relinquish some external role expectations in order to maintain their membership of the group (Sheard and Kakabadse, 2004; Janis and Katz, 1959).

#### **6.2.1f Debating the Needs of Divergent Constituents**

The Non Executives' ability to understand and deal with the organisations' constituents is limited by their lack of understanding of the complex organisational environment. The research reveals that information asymmetry (Pettigrew and McNulty, 1998; Westphal, 1998) and lack of time (Lorsch and MacIver, 1989; Mace, 1986) forced the Non Executives to view issues within a bounded context (Cohan, 2002). This led to the use of almost exclusively financial language in the boardroom. Financial language fails to reveal the subtlety of choice needed for effective decision-making (Schaffer, 2002), as it leads to a focus on the bottom-line (Eisenhardt et al. 1997) and may lead to unethical decisions (Sims, 1992). In particular, the excessive use of financial language emerged as a major constraint on the ability of the Non Executive to introduce (soft) corporate responsibility issues, because these were viewed as requiring a different kind of language.



Boardroom discussions regarding corporate responsibility are perceived as requiring the use of 'soft language', which does not fit easily with the groups' behavioural norms. As a result corporate responsibility issues are unlikely to be put forward by the Non Executive to the group, unless a clear 'business case' or a quantifiable risk can be shown. The use of a business case allows the Non Executive to align his contribution with the normal processes of the group, which is accustomed to using financial language and attaches importance to the bottom line approach to decision-making. An interesting finding of this research was that to counteract this use of financial language, some Non Executives resort to using personal scenarios, such as the opinions of their mothers or the effect on their own children, to deal with highly complex issues.

### **6.2.2 Perceptions of Boardroom Leadership**

#### **6.2.2a Fear, Insecurity and Intimidation**

The research findings suggest that a degree of uncertainty and ambiguity exists for many Non Executive Directors within the corporate board. Emerging from the analysis were the Non Executives' perceptions of insecurity and intimidation, possibly due to lack of a clear role understanding (Floyd and Lane, 2000). The pressure that individuals feel to conform to the expectations of others in the boardroom to reach rapid consensus and avoid stressful disagreements leads to a high degree of frustration, caused by both ambiguous and conflicting role signals. The autocratic power structures which many of the Non Executives describe, in which there is little 'real' consultation, may ultimately lead the individual towards

apathy and withdrawal from the decision-making process, because individuals perceive that as Non Executives they have little power to influence events (Tsui et al. 1995; Katz, 1959).

The findings reveal that the Non Executive Directors' inability to form close ties within the boardroom is a significant constraint on their ability to influence debate. This was particularly salient in the case of corporate responsibility issues. Corporate responsibility was viewed as 'soft' and difficult to convey within the 'hard' financial debate of the boardroom. As a result, individually the Non Executives often resisted raising corporate responsibility issues for fear of ridicule by the group. Individuals would not risk standing alone on issues, and were often unaware that other Non Executives had similar ideas to their own. Only when another, more powerful, Non Executive Director focuses the debate, will the majority of Non Executives subsequently enter the discussion. The research suggests that if the Non Executives can act together they are significantly more likely to achieve their ends.

#### **6.2.2b The Effect of Groupthink on the Discussion of Constituent Issues**

Many Non Executive Directors believe that they are powerless to make change. The research suggests that individuals will sometimes keep quiet on issues, even when they perceive that there is a problem. The Non Executives' feelings of powerlessness result from several factors including a lack of internal sources of information and power (Pettigrew and McNulty, 1998; Westphal, 1998), feeling intimidated by a Chairman/ CEO (Demp and Neubauer, 1992), the fear of acting

alone (Alderfer, 1986), the fear of ridicule, or even exclusion by the group for raising contentious issues (Westphal and Khann, 2003).

The research findings also suggest that Non Executive Directors may, at times, cognitively suppress the expectations of some constituents. Non Executive Directors personally recognise their responsibilities to different constituencies. However the study revealed that as part of a group, Non Executives may suppress these expectations if they perceive that voicing certain opinions would create stress within the group (Janis, 1971). Instead, many Non Executives appear to comply with leadership's preference (Eisenhardt et al. 1997) for maintaining the *status quo* (Cohan, 2002; Demp and Neubauer, 1992). This research finding suggests that the inability of the Non Executive Director to raise certain issues results from the presence of groupthink (Janis, 1971; Janis, 1972; Esser, 1998).

In terms of influencing corporate responsibility the problems of groupthink may be particularly acute in the presence of a dominant leader, who uses aggressive signals, which conflict with priorities of wider constituents. Non Executive Directors may consciously or subconsciously circumnavigate wider constituent agendas, because of the importance they perceive in remaining part of the social set and avoiding any social sanctioning they might face by upsetting group behaviour norms.

Non Executives, perceive that their personal reputation amongst group members and the wider social set of corporate board members is of immense importance. Reputation dictates the individual's future earning potential (Fombrun and Shanley,



1990; Weigelt and Camerer, 1988; Wilson, 1985). The Non Executives' continued employment on powerful corporate boards ensures their reputation as a member of the high status elite and, as such, their right to receive the privileges associated with the role. DeLamater, Katz et al. (1969) described this type of behaviour as "functional commitment" where the individual's personal power and status are enhanced by maintaining the status quo.

Previous research suggests that individuals will often work very hard to maintain their affiliation with a group, even to the point of doing things that they would not do as individuals. But, as part of the team, Non Executives may overlook actions they would not tolerate for themselves as individuals (Sheard and Kakabadse, 2004; Janis and Katz, 1959). This may lead Non Executive Directors to behave in an unethical way, even when they consider themselves to be highly ethical people in their own right (Sims, 1992).

### **6.2.3 Primary Role Focus**

#### **6.2.3a Role Conflict**

As a result of the groupthink phenomenon, the findings suggest that Non Executives appear to experience role conflict because, despite their perceptions of the importance of external constituents within the group, they are inhibited from discussing them. This finding is significant because some studies have suggested that upper echelons do not experience role conflict to the same extent as lower level

role types, since they are believed to have more control of their environments (House and Rizzo, 1972; Hamner and Tosi, 1974).

The Non Executive's role differs from other upper echelons' roles because individuals only experience partial inclusion in the host organisation (Weick, 1979). This creates power asymmetry in favour of internal executives. In addition, Non Executives perform multiple roles whilst receiving conflicting signals of success and effectiveness from constituents; such role holders are likely to be highly susceptible to role dysfunction (Nandram and Klandermans, 1993).

In line with research into the effects of role conflict and ambiguity within other role types, the findings of this research suggest that role conflict and ambiguity result in deep feelings of frustration for the role sender - in this case the Non Executive Director. Role conflict discourages the information sharing that is fundamental for successful boundary spanning (Manev and Stevenson, 2001; Tushman and Romanelli, 1983), impedes trust within the group and may ultimately drive some Non Executive Directors to wish to leave the host organisation (Janis and Katz, 1959; Katz and Kahn, 1978; Friedman and Podolny, 1992; Floyd and Lane, 2000).

### **6.2.3b Setting the Tone**

The Non Executives expressed their belief that they should be able to influence the tone of the host organisation (Pearce and Zahra, 1991; Pfeffer and Salancik, 1978); this was achieved, they perceived, by setting a clear example through the board's own conduct. The findings suggest that the Non Executives perceive that over time

the board's example of appropriate behaviours would be imitated by others in the organisation. They express this as creating an understanding of "the right thing to do". Despite the Non Executives' desire to affect the host organisation in a positive way, the findings indicate that it was very difficult to influence an organisation with which the Non Executive often has little contact.

### **6.2.3c Boundary Spanning**

According to Pava and Krausz (1997: 340), only through an active stance on the part of boundary spanners can the organisation hope to fulfil its social responsibility mandate. A serious constraint on the Non Executive Director's ability to bring corporate responsibility issues into the boardroom and hence, influence organisational behaviour is that despite sometimes being employed because of highly specific capabilities, such as government or international contacts, or knowledge of particular markets, these skills were often not exploited by the host organisation.

The results of this research indicate that the Non Executive Director's potential to offer advice about, and linkages to the external environment, are rarely fully utilised by the host organisation and sometimes even actively discouraged by management. This is an important finding as it contradicts much previous research, which has argued that boards provide the link between managers and shareholders and the wider environment (Meyer, 2000; Forbes and Milliken, 1999; Johnson and Greening, 1999; Pettigrew, 1992; Pearce and Zahra, 1991; Fama and Jenson, 1983).



This finding brings into question the Non Executives' ability to effectively perform the boundary-spanning role prescribed for them by the resource dependency literature (Wang and Dewhirst, 1992; Daily and Cannella, 2003; Geletkanycz and Hambrick, 1997; Hillman and Dalziel, 2003). Previous theory suggests that to be effective, boundary spanners must work equally inside and outside the organisation (Tushman and Romanelli, 1983; Manev and Stevenson, 2001).

#### **6.2.3d Balancing Divergent Constituents**

Despite the Non Executive Director's personal recognition of the importance of divergent constituent issues, the findings of this research strongly suggest that many Non Executives behave as 'rationalisers' (Lorsch and MacIver, 1989). Non Executive Directors see the inconsistencies and sense the tensions inherent in their roles; however they rationalise them away within the specific context of the boardroom. Many Non Executives find it preferable to maintain the *status quo* of the group, rather than introduce stressful divergent constituent dilemmas that require extra effort to deal with and which may still not result in clear-cut conclusions.

#### **6.2.3e The Use of Balanced Power Structures to Aid Discussion of Constituent Issues**

The findings identified a small number of Non Executives whose perceptions were distinctive from the majority of study participants. These individuals portrayed boards where the CEO and/or Chairman played a more motivational role than that widely found in this research. These boards encourage positive behaviours by providing support and encouragement to board members within an environment

where individuals were valued for their unique capabilities and diverse opinions. Such board might be described as having balanced power structures (Eisenhardt et al. 1997).

In these boards, the study participants perceived that the opinions of others were respected, cognitive conflict was encouraged and individuals were valued for being both highly skilled and career diverse. Within this type of environment the ability of the Non Executive to discuss corporate responsibility issues is enhanced because new and divergent opinions are openly embraced. The findings suggest that the Non Executives' propensity to effectively optimise their role requires a cultural environment within the boardroom that supports mutual action and uninhibited information flow. The individual needs to feel supported and valued by the whole group, starting with the CEO and Chairman. Within such boards the Non Executives reported unusually high effort norms.

#### **6.2.4 Summary of Key Findings**

This section has explored the findings of the research in the light of the overarching research question. The findings reveal that Non Executives perceive they have responsibilities to a range of constituents. However, their ability to deal with these constituents as boundary spanners is moderated by the dynamics of the boardroom environment. Non Executive Directors may set aside their personal understanding of their responsibilities to constituents in order to maintain the *status quo* in the

group. This in turn leads the Non Executive to experience role conflict and ambiguity, which results in feelings of deep frustration for the individual.

Non Executive Directors rely on interlocking directorates for information regarding corporate responsibility practices because they lack adequate sources of training and support. Individuals may be able to enhance their ability to contribute to corporate responsibility practices through their association with boards with good reputations in this area. This is because other team members' perceptions of the individual's capabilities and group status appears to moderate the individual's ability to make a contribution.

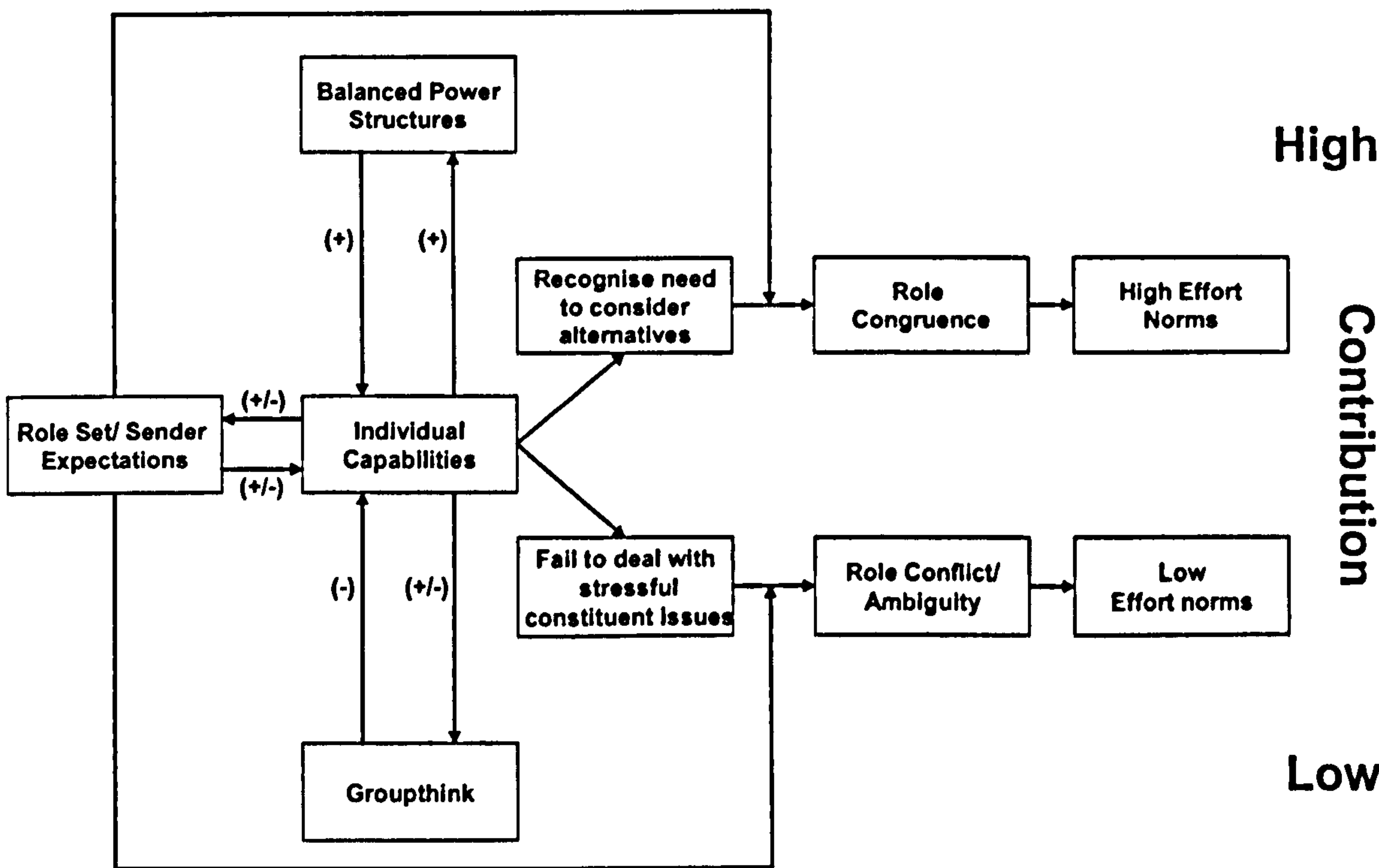
Non Executive Directors appear to make decisions within a bounded context. This results in the use of highly financial language in the boardroom. The findings reveal that the use of financial language makes it difficult for the Non Executive to introduce 'soft' corporate responsibility issues. As a result individuals tend to only introduce corporate responsibility issues if they can present them as a business case or show a quantifiable risk.



6.3 The Model

Figure 6.2 below integrates the key emerging findings from the complex analysis presented in this thesis. Building on the models presented over the course of the analysis Figure 6.2 shows how a combination of group dynamics, personal capabilities and the individuals' role expectations, affect the Non Executive's ability to contribute to corporate responsibility practices. The groupthink phenomenon, acts to inhibit the Non Executives from performing the roles that they perceive as expected of them by their wider constituents, which, in turn, produces deep levels of frustration, caused by the internalised role conflict that they subsequently experience.

Figure 6.2 The Dynamics of the Non Executive Contribution to Corporate Responsibility



Source: Compiled by the Author

The upper element of the model shows how within some boards the dynamics which lead to groupthink, and the ensuing role problems associated with it, are overcome by using more balanced power structures (Eisenhardt et al. 1997). These boards were characterised by leaders who performed a more motivational role than that widely found in this research. Positive behaviours were cultivated by providing support and encouragement to board members within an environment where individuals were valued for their unique capabilities and diverse opinions. Boards with balanced power structures were perceived to have a culture, which supported mutual action and uninhibited information flow in order to encourage the generation of differing opinions and alternative strategic choices.

#### **6.4 Developing Propositions**

This research has explored the role and contribution within the corporate board, of the Non Executive Director. An interpretive approach was adopted, using in-depth interviews to gather ‘thick descriptions’ (Thompson, 2001; Denzin, 1989) of the Non Executives’ subjective perceptions of their roles, within the context of the corporate board. This approach has allowed a rare insight into the behaviour of the Non Executive Director within a rich context. With the exception of a handful of previous studies such as Kakabadse (2001), Pettigrew (1992), Demp and Neubauer (1992), Lorsch and MacIver (1989) and Mace (1986), most of the theory underlying the behaviour of the Non Executive has been based on a hands-off approach. Such positivistic methods have, it is argued, failed to recognise the “endogenous and

exogenous factors” which affect the Non Executive’s ability to successfully contribute to corporate performance Pettigrew (1992: 170).

This current research has generated a highly complex picture of the contextual dynamics that appear to affect the ability of the Non Executive Director to make a contribution. The emerging themes at times challenge the findings of previous studies, whilst other themes contribute to our understanding of previous arguments. The literature review presented in chapter two identified a range of concepts and theories that has helped to guide this research. The complexity and contextual nature of the phenomenon suggests that at present no single theory adequately reflects the entire scope of the research. In order to test whether or not the exploration and tentative explanation of the Non Executive Director’s role and contribution can be extended across a more generalisable population of Non Executive Directors, further research needs to be undertaken (Miles and Huberman, 1994).

The results presented earlier in this chapter suggest many opportunities for further research, which might aid both practitioners and academics to understand more fully the role and contribution of the Non Executive Director within the corporate board. To facilitate further research, which might test the tentative model presented in figure 6.2, a number of propositions are presented next. It should be noted that the nature of this research has created the possibility for almost endless avenues of investigation; in order to maintain the brevity of this section the propositions



presented here will focus on the explicit aims of the research and the testing of the model.

This research has established the significance of the Non Executive Director's environment within the host board. The impact of the boardroom environment in terms of culture, management behaviour, personal relationships and the group's perception of the individual's personal capabilities, all emerged as important mediators of the Non Executives ability to contribute. Further research, which specifically examines these elements of boardroom behaviour, would greatly enhance the ability of management researchers to understand the 'black box' (Hambrick and Mason, 1984; Lawrence, 1997), which is the Board of Directors. Accordingly, the first set of propositions relates to the Non Executive Director's boardroom environment.

1. The ability of the individual Non Executive Director to contribute to corporate responsibility within the corporate board is moderated by the boardroom environment.
  - a. The ability of the individual Non Executive Director to contribute to corporate responsibility within the corporate board is moderated by groupthink.
  - b. The ability of the individual Non Executive Director to contribute to corporate responsibility within the corporate board is moderated by balanced power structures.

- c. The ability of the individual Non Executive Director to contribute to corporate responsibility within the corporate board is moderated by boardroom role set expectations.

The findings in this research have suggested that in addition to the boardroom environment, the Non Executives' personal capabilities also influence their ability to make a contribution to the host board. High personal capabilities may allow Non Executives to traverse normal group behaviour; it may even enable the individual to change boardroom culture. Highly capable Non Executives are able to do this through their knowledge and experience but also through the elevated status that other group members assign to them; in the latter case capabilities may be real or perceived.

- 2. The Non Executive Director's ability to contribute to corporate responsibility is moderated by the individual's capabilities.
  - a. The Non Executive Director's ability to contribute to corporate responsibility is moderated by the individual's reputed capabilities within the boardroom.
  - b. The Non Executive Director's ability to contribute to corporate responsibility is moderated by the individual's actual capabilities.
  - c. The Non Executive Director's ability to contribute to corporate responsibility is moderated by the individual's capability to overcome the behaviour norms of the group.

The individual Non Executive Director's role understanding impacts on their ability to contribute to corporate responsibility practices. Many Non Executives expect to serve a variety of constituents as part of their boardroom roles. However, the presence of groupthink in many boardrooms leads them to set aside personal role expectations in favour of maintaining the *status quo*. This causes some Non Executives to suffer from role conflict and ambiguity, which in turn leads to low effort norms and low contribution.

3. The Non Executive Directors' ability to contribute to corporate responsibility is moderated by their role understanding.
  - a. When Non Executive Directors experience role congruence it generates high effort norms.
  - b. When Non Executive Directors experience role conflict and role ambiguity it generates low effort norms.

As boundary spanners the Non Executive Directors' role set extends beyond the boundaries of the boardroom. Non Executive Directors perceive that part of their role is to deal with constituents outside the boardroom such as shareholders, employees and customers. Many Non Executives, whilst accepting the importance of external constituents, fail to represent them effectively once in the boardroom. The Non Executive's ability contribute to corporate responsibility is also moderated by a second group of external role set members. Interlocking directorates send signals to the Non Executive about current business trends as well as sending signals about the norms of behaviour appropriate to the boardroom.



4. The Non Executive Directors' ability to contribute to corporate responsibility is moderated by their external role set.

a. The Non Executive Director's ability to contribute to corporate responsibility is moderated by divergent constituent expectations.

b. The Non Executive Director's ability to contribute to corporate responsibility is moderated by director interlocks.

The Non Executive Directors' ability to balance the needs of divergent constituents is moderated by their perceptions of their responsibilities, in addition to the signals that they receive from within the boardroom. The research suggests that many Non Executive Directors understand the value of balancing the needs of different constituents, but at times ignore their personal understanding in order to maintain the *status quo* within the group and avoid personal ridicule or social sanctions. This leads to the final set of propositions:

5. The Non Executive Directors' ability to balance divergent constituents is moderated by the context in which they perform their role:

a. The Non Executive Director's ability to balance divergent constituents is moderated by the boardroom environment.

b. The Non Executive Directors' ability to balance divergent constituents is moderated by their internal role set expectations.

c. The Non Executive Directors' ability to balance divergent constituents is moderated by their external role set expectations.

- d. The Non Executive Directors' ability to balance divergent constituents is moderated by their personal capabilities.
- e. The Non Executive Directors' ability to balance divergent constituents is moderated by their role understanding.

## **6.5 Implications of the Research**

This study has explored how Non Executive Directors subjectively perceive that in their role as boundary spanners on corporate boards, they are able to balance divergent expectations whilst contributing to corporate responsibility practices. The findings of this exploration into the Non Executives' role and the wider context of the Board of Directors have implications for both research and practice. In this section, the implications of the research will be discussed within the framework of the PhD remit.

### **6.5.1 Role Set Interactions**

#### **6.5.1a The Need for Change**

The findings show that many Non Executive Directors perceive that they are constrained, by their lack of necessary skills and understanding, from adequately fulfilling their roles within the corporate board. The role ambiguity and role conflict, which many Non Executive Directors perceive, stems from the failure of many boards to provide clear job descriptions, job evaluations and adequate training, as well as from leadership's inability to provide adequate linkages into the organisation, Non Executive's own failure to speak out and ask for help, together

with the autocratic leadership structures which permeated many of the organisations in which the Non Executives worked. In order for the Non Executive to improve his ability to make a valid and useful contribution, these issues need to be addressed. Additionally, the Non Executive must understand his role within each unique board and be given the opportunity to share unique insights without fear of reprisals or ridicule.

#### **6.5.1b Language**

This study provided new and unique insight into the use of language in the boardroom. The research suggests that boards of directors operate within a bounded context, because of the information constraints that are placed upon them (Cohan, 2002). This leads the board to use highly financial language as a common denominator between board members. An important implication of this reliance on financial language is that it fails to reveal the subtlety of choice needed for effective decision-making (Schaffer, 2002). Financial language leads to a focus on the bottom-line (Eisenhardt et al. 1997) and may lead to unethical decisions (Sims, 1992). Additionally, as a result of the use of financial language, Non Executives find it difficult to introduce issues that might be considered 'soft' as these do not fit easily into the group's behaviour norms. Therefore, when Non Executives wish to introduce an issue relating to corporate responsibility they generally try to frame it within a business case scenario. If a business case cannot be found, then it is unlikely that the suggestion will even be put forward. This highlights the problems that Non Executives face, even if they are prepared to try to introduce corporate responsibility issues.



### **6.5.1c Groupthink**

The finding of this research that Janis's (1972) groupthink appears to be present in many corporate boards is significant. The ability of the Non Executive to make a contribution is extensively challenged by their failure to speak out within the group, even on issues about which they are unhappy. Westphal and Khann's (2003) finding that directors may avoid conduct that could upset normal group behaviours go some way towards explaining this phenomenon.

The research revealed that Non Executive Directors maintain functional commitment to the group (DeLamater et al. 1969). Because they assign importance to maintaining their position within the social set, their future earning potential is reliant on the reputation, which others assign to them (Fombrun and Shanley, 1990). However, the findings of this research also imply that the Non Executives' propensity to maintain the *status quo* within the group develops from their desire to avoid ridicule, their feelings of intimidation, their fear of acting alone and the pressure that they feel to make decisions and reach agreement at great speed.

### **6.5.1d Interlocking Directorates**

This research has implications for our understanding of interlocking directorates; the study supports the view put forward by Haunschild and Beckman et al. (1998) and Haunschild (1993), that interlocks can affect firm behaviour. The current research also supports the work of Lorsch and MacIver (1989) and Mace (1986) who both

suggest that directors use interlocks to scan the environment for new business practices. The current research suggests that Non Executives have insufficient resources for training and professional development. This results in an over-reliance on interlocks and leads to the dissemination of bad as well as good business practices. The implications of these findings are twofold; firstly, and most importantly for this current research, it suggests that when a Director sees good corporate responsibility practices he will attempt to spread them through his interlocks with other boards of directors. Secondly, these findings suggest that more work needs to be done to develop reliable sources of information, training and personal evaluation for the Non Executive Director.

## **6.5.2 Perceptions of Boardroom Leadership**

### **6.5.2a Boardroom Leadership**

The research has revealed the problems that many Non Executives perceive in the behaviour styles of their CEO's and Chairmen. The qualitative approach employed in this study, and in particular the use of thick description, has enabled the study to examine the Non Executive and his perceptions in a way that has not previously been achieved. The individual interviews position participants so that they are "forced" to explain themselves (Kaplowitz, 2000) which leads to sharing and elaboration and sometimes generates intimate information (Agar and MacDonald, 1995). Demp and Neubauer (1992) alluded to the presence of dominating leaders in their study of international corporate boards. The findings of the current research describe egotistical and domineering behaviour in many boardrooms and the

perceived effect that this has on other board members and their ability to make a contribution. This conclusion has wide implications for the future structure of boards and the recruitment of board members.

### **6.5.3 Primary Role Focus**

#### **6.5.3a Balancing Constituents**

The findings of this study have implications for our understanding of the Non Executives' role. The current system of corporate governance views managers as agents and puts Non Executive Directors into the boardroom to control their self-serving behaviour on behalf of shareholders (the owners of the firm). The analysis revealed conflicts in the enactment of the Non Executives' governance role. Their role expectations encompass control elements in line with the normative agency approach to corporate governance as described by Eisenhardt (1989), but also long-term organisational goals, which more closely reflect the behaviour of a steward as described by Davis et al. (1997) – the implication being that Non Executives enter the boardroom in the belief that their role is to protect a range of different constituents, not just the organisations' owners. This is in line with the findings of Johnson and Greenings (1999) and Wang and Dewhirst (1992). However, in contrast to the findings of these two studies, this research reveals that once in the boardroom many Non Executive Directors set aside their personal expectations in order to conform to their perceptions of the group norm. Many Non Executives, despite recognising the value of dealing with wider constituents, fail to follow through with their beliefs whilst in the boardroom.



### **6.5.3b Performing the Non Executive Director's Role**

The research revealed important implications regarding the ability of the Non Executive to fulfil his role within the boardroom environment. Some previous studies have suggested that upper echelons may not experience role conflict and ambiguity to the same degree as other role holders (Hamner and Tosi, 1974) because they have more control over their environments. However, the findings of this research imply that Non Executives often lack power and control in comparison with their Executive counterparts. The Non Executive Director's power and influence is hampered by information asymmetry (Pettigrew and McNulty, 1998; Pettigrew, 1992) which results from their only partial inclusion in the host organisation (Weick, 1979).

Non Executives Directors perform multiple roles whilst receiving conflicting signals of success and effectiveness from constituents. The unique, complex and ambiguous nature of the Non Executives' role, in conjunction with their position of only partial inclusion within the host organisation makes the Non Executive highly susceptible to conflict and ambiguity within their roles. The acute frustration that many Non Executives feel appears to be due to their inability to fulfil the roles that they perceive they have been employed by the host board to undertake.

#### **6.5.4 Wider Implications of the Research**

Non Executive Directors are considered by many to be pivotal to the success or failure of an organisation (Alderfer, 1986), and yet this research suggests that their role is under- utilised. The research findings imply that the culture in many boards is highly autocratic and lacking in creative thought. If the Non Executive Director is to fulfil a useful role, creativity, diversity and conflicting opinions will need to be more openly encouraged. As business becomes more and more of a global operation, individuals need to be in place to ensure that boards take note of their responsibility to wider constituents. No longer can Lorsche and McIvers (1989) 'traditionalists' steer their companies without consideration for anything but the whim of the shareholder. Education, board procedures and role clarity must be enhanced so that Non Executive Directors can fulfil their obligations to both their organisations and their wider constituents.

#### **6.6 Evaluating Research Quality**

This research was designed to explore the role and contribution of the Non Executive Director within the Anglo-American corporate governance system. The research has sought to further current understanding of the Non Executive Director's ability to contribute to the corporate board. In particular the study has explored how the Non Executive Directors balance divergent constituencies whilst contributing to the corporate responsibility practices within the board. To insure the suitability of the research methods and the rigour of its application (Scandura and Williams,

2000), this section will evaluate the quality of this research and assess whether the research aims have been achieved.

The primary aim of this research was to explore the Non Executive Directors' perceptions of their role and contribution to corporate responsibility whilst balancing divergent constituents. Table 6.1 summarises how quality and rigour have been achieved in this research.

Table 6.1: Operationalising the Research

Qualitative Inquiry Characteristics	Assumptions	Research Operationalisation
Ontology	Constructivist: multiple realities, from participants, local, everyday, emergent	The subjective realities of 25 Non Executive Directors in their roles in corporate boards within the Anglo American governance system
Epistemology	Interpretive: Inquirer interacts with participants: Meaning is value relevant	Non Executive Directors' interpretations of their experience captured through in-depth interviews, held in the participants' own environment.
Adopted Paradigm	Interpretive	Interpretation of how Non Executive Directors perceive their experience of their roles
Inquiring Logic	Inductive	Focus on the Non Executives' own concepts, meanings and perceptions of their roles within corporate boards. Then describe these views
Inquiry Question	Hard to study settings and groups: ambiguous phenomenon, open ended questions	All 25 Non Executive Directors working in multiple, large complex organisations. In-depth interviews used to provide rich context and to uncover deeper and veiled meanings.
Guiding Values & Research Ethic	Ethical conduct of individual scientists	All 25 participants were treated equally and with respect. Focusing on the participant's comfort zone, showing regard for matters which were important to them. Anonymity was guaranteed to all participants

Source: Based on Harris (2004) framework

In-depth interviews were used to obtain thick descriptions (Geertz, 1973) of the Non Executives' own subjective perceptions of their role. The qualitative interpretation



of the in-depth interviews has allowed the research to bring both context and meaning (Thompson, 2001) to our understanding of the Non Executive Director's role and contribution within the corporate board. The resultant analysis has allowed a detailed exploration of all the facets that comprised the aims of this research. As a result of the analysis, a model has been proposed which illustrates the key salient findings of the research. A set of propositions was then presented which might be used to generate future research and test the proposed model. Finally the key implications of the findings of the research were discussed. The aims of the research have been achieved.

## **6.7 Chapter Summary**

This chapter has brought together a summary of the key findings from the research and related them to the research question. A model that illustrates the key salient findings from the research has been developed from the analysis. Following this, a number of propositions were outlined to generate future research and test the relevance of the model. Some of the implications of the research were then discussed and the quality of the research was evaluated.

## **Chapter Seven: Research Contributions**

### **7.1 Introduction**

The aim of this thesis has been to explore the role and contribution of the Non Executive Director, using the subjective perceptions of those who perform the role. The research has used an interpretive approach to qualitative inquiry in order to uncover how, within the context of the corporate board, Non Executive Directors are able to balance divergent constituents, whilst contributing to corporate responsibility practices. This chapter will demonstrate the originality and contribution of this study to both the academic and practitioner communities, along with the limitations of the research and suggestions for areas of further study. The thesis will close with a short reflection from the author of the journey undertaken to bring this thesis to completion.

### **7.2 The Contribution to Knowledge**

The findings of this research make a number of contributions to theory and practice. Most significantly the research adds new insight into the actual role of the Non Executive Director within the corporate board. Many academics have made calls for research which examines from a contextual perspective, the work of the board of directors and in particular the Non Executive Directors' role within the board (Pettigrew, 1992; Dalton et al., 1999; Forbes and Milliken, 1999; Kakabadse et al., 2001; Letza et al., 2004).

The contribution that this research makes to our understanding of the Non Executive Directors' role within the corporate board will provide insight and guidance to future researchers and practitioners. Whilst supporting some previous theory, the study also suggests that the moderators of boardroom behaviour are much more complex than had been previously recognised. To avoid further erosion of the gap between management theory and management practice, there is a need for additional endeavours in order to understand the effects of context on the Non Executive Directors' ability to make useful contribution.

### **7.2.1 Contributions to Management Theory**

#### **7.2.1a The Role of the Non Executive Director**

The interpretive methodology that was adopted for this study, using in-depth interviews to gather "thick descriptions" (Thompson, 2001) has contributed a rare insight into the behaviour of the Non Executive Director within a rich context. With the exception of a handful of previous studies such as Mace (1986), Lorsch and MacIver (1989), Pettigrew (1992), Demp and Neubauer (1992), and Kakabadse (2001), most of the theoretical research underlying the behaviour of the Non Executive has utilised questionnaires or publicly available statistics to try to understand the phenomenon from a distance.

The constructivist ontology that underlies this research reflects the notion that the reality of the Non Executive Director is subjective. An interpretive epistemology



was utilised to uncover the Non Executive Directors' own subjective perceptions of their roles within the corporate board. As a result, this research contributes to theory by exploring the actual role of the Non Executive through their own unique perceptions of the role, using thick description to add context to their reality. However, in line with the constructivist philosophy, it should be noted that the researcher's interpretation is in itself a subjective interpretation of the Non Executives' reality. The researcher confirms that she performed the analysis in good faith and tried to stay true to the data at all times. By allowing the Non Executive Directors' own words to come through into the analysis, the researcher has been able to interpret the Non Executive Directors' own subjective meanings.

#### **7.2.1b Boundary Spanning**

Johnson and Greenings (1999) found that Non Executive Directors were sometimes employed specifically to attend to certain constituent groups. This research supports this finding, but contributes to the debate by suggesting, that although Non Executives are sometimes employed to attend to constituents, their potential to fulfil this role is not always utilised by the host organisation.

The research supports the arguments of Aram and Coehn (1983) and Pass (2004) that the company's internal executives control the volume and also the integrity of information, available to the board of directors. Additionally this research has found that the CEO tightly controls access to management. These factors lead to the information asymmetry described by Pettigrew and McNulty (1995).

This research contributes to the boundary spanning theory and literature by arguing that if the Non Executive is restricted in his ability to reach into the organisation and also his ability to reach outside, his ability to be a successful boundary spanner is questionable (Tushman and Romanelli, 1983). The implications of these findings challenge earlier research which argues that boards provide the link between managers and shareholders and the wider environment (Fama and Jenson, 1983; Pearce and Zahra, 1991; Pettigrew, 1992; Forbes and Milliken, 1999; Johnson and Greening, 1999; Meyer, 2000).

#### **7.2.1c Power and Influence**

The research adds to our understanding of the sources and uses of power in the boardroom. The findings support Pettigrew and McNulty's (1995) conclusion that information asymmetry affects the Non Executive Directors' ability to influence events. In addition, this research suggests that language can be used as a source of power in the boardroom in order to control the behaviours of others. This finding contributes to the work on social control theory undertaken by Westphal and Khann (2003). Further, it emerged that there was significant reciprocity in the role of friendship in shaping boardroom influence. Not only are CEO's perceived as being more likely to seek advice within a safe trusting "friendly" environment, Non Executives also appear to be much more likely to offer advice when they perceive themselves to be in an environment where they feel valued, trusted and like each other.

#### **7.2.1d Capabilities**

Westphal and Khann (2003) argued that those with very high group status might not be subject to social controls to the same extent of lower status members; this argument is substantiated by the current study. Further, the findings of Tsui (1984) and Tsui et al., (1995) that an individual's ability to perform his role is affected by the perceptions of others in the team, appears to transfer to the Non Executive role. The ability of the Non Executive to instigate a contribution is facilitated if other members of the board perceive that the Non Executive Director is in some way powerful, in terms of capabilities, reputation and influence within the group.

This study also contributes to our understanding of how individual Non Executive Directors' capabilities are utilised within the board. The findings support Kakabadse et al. (1998) who found that simply placing highly capable individuals onto a team will not in itself make a team work effectively. The research findings provide further support for Forbes and Milliken (1999) who suggested that just because individuals have specialised skills and knowledge, the availability of such skills does not necessarily guarantee their effective use. Time, good management and the right mix of individuals remain as essential for long-term success.

#### **7.2.1e Complex Decision-Making**

The study contributes to our understanding of Non Executive Directors' decision-making processes by arguing that they use bounded rationality (Simon, 1957) or cognitive nearsightedness (Katz, 1959) when dealing with complex issues. The



resultant reliance on financial language often fails to reveal the subtlety of choice needed for effective decision-making (Schaffer, 2002), particularly in the context of corporate responsibility issues (Baysinger and Hoskinsons, 1990).

### **7.2.1f Corporate Responsibility**

The study contributes to the literature on business in society; this research has explored the perceptions of individuals who, with the right motivation, have the ability to make a significant impact on the role of business in society. It is argued that only by first understanding how boards of directors work, can serious attempts be made to enhance their behaviour. The current research contributes to our understanding of the Non Executive Director as a potential influencer of corporate responsibility practices; it also links the implementation of corporate responsibility to director interlocks and implies that when Non Executives gain understanding of corporate responsibility elsewhere they may try to encourage implementation in other boards.

The research also contributes to our understanding of boardroom culture. Boardroom culture influences the ability of the Non Executive to contribute to corporate responsibility. Specifically, the use of financial language impedes the ability of the Non Executive Director to introduce corporate responsibility issues because such issues are perceived as requiring the use of 'soft language', which does not fit easily with the group's behaviour norms. Corporate responsibility issues are unlikely to be put forward by the Non Executive to the group, unless a clear

‘business case’ or a quantifiable risk can be shown. The use of a business case allows the Non Executive to align his contribution with the normal processes of the group, which is accustomed to using financial language and attaches importance to the bottom line approach to decision-making.

### **7.2.1g Interlocking Directorates**

The current research supports the seminal works of Mace (1986), and Lorsch and MacIver (1989) who suggest that directors use interlocks to scan the environment for new business practices. This research further contributes to our understanding of interlocking directorates. The view put forward by Haunschild (1993) and Haunschild et al. (1998) that interlocks can affect firm behaviour, is supported by this research. This research contributes to our understanding of this phenomenon by adding a new instance of the effect on firms of director interlocks, by arguing that interlocks can at times influence the likelihood of firms adopting corporate responsibility practices.

### **7.2.1h Corporate Governance**

The findings of this study contribute to both agency and stewardship theory. The prevailing view that Non Executives are present in the boardroom to control managers’ self-serving behaviour on behalf of shareholders appears to be over simplistic. The analysis revealed conflicts in the enactment of the Non Executives’ governance role. Their role expectations encompass control elements in line with

the normative agency approach to corporate governance as described by Eisenhardt (1989), but also long-term organisational goals, which more closely reflect the behaviour of a steward as described by Davis et al. (1997). The implication is that Non Executives enter the boardroom in the belief that their role is to protect a range of different constituents, not just shareholders. This reflects the findings of Wang and Dewhirst (1992) and Johnson and Greenings (1999). However in contrast to the findings of these two studies, this research reveals that once in the boardroom many Non Executive Directors set aside personal beliefs in order to conform to their perceptions of the group norm; they fear acting alone (Alderfer, 1986). The domineering and autocratic behaviour of many CEO's, in conjunction with the inability of the Non Executive to form alliances with other board members leads to power asymmetry in the boardroom. Resultant boardroom behavioural norms tend to reflect leadership's desire to stay in control, at the expense of wider constituent expectations. The reason for this behaviour appears to be groupthink, which is explained next.

### **7.2.1i Groupthink**

The findings of this research contributes to our understanding of the dynamics of the board of directors, in particular the prevalence of groupthink (Janis, 1971), which leads the Non Executive, at times, to cognitively suppress the expectations of external constituents. As part of the team, individuals may overlook actions they would not tolerate for themselves as individuals (Sheard and Kakabadse, 2004)



particularly if they perceive that voicing certain opinions will create stress within the group (Janis and Katz, 1959; Janis, 1971).

The desire to maintain membership of the group may lead Non Executive Directors to behave in an unethical way, even when they consider themselves to be highly ethical individuals in their own right (Sims, 1992). Non Executive Directors appear to prefer to maintain the status quo within their group rather than risk social sanctioning or exclusion from the group (Westphal and Khann, 2003). Instead Non Executives display functional commitment to the group (DeLamater et al., 1969). Non Executives appear to effectively relinquish some external role expectations in order to maintain their membership of the group (Janis and Katz, 1959; Sheard and Kakabadse, 2004). As a result many Non Executives, despite recognising the value of dealing with wider constituents, fail to follow through with their beliefs whilst in the boardroom.

### **7.2.1j Role Theory**

The research adds a contribution to the literature on roles, role theory and in particular to the role conflict. The study reveals that Non Executives appear to experience role conflict, due to the disparity between their personal expectations and their moderated behaviour within the boardroom. This finding is noteworthy because some studies have suggested that upper echelons do not experience role conflict to the same extent as lower level role types because they have more control of their environments (House and Rizzo, 1972; Hamner and Tosi, 1974). The

research suggests that the Non Executive role differs from other upper echelons roles. Non Executive Directors only experience partial inclusion in the host organisation (Weick, 1979); this creates power asymmetry in favour of internal executives. Additionally, Non Executives perform multiple roles whilst receiving conflicting signals of success and effectiveness from constituents; research suggests that such role holders are susceptible to role dysfunction (Nandram and Klandermans, 1993).

#### **7.1.1k Contribution to Research Methods**

In addition to adding to the debate on the role and contribution of the Non Executive Director, this research makes a small methodological contribution. Despite many calls for more work, which explores the real work of corporate board members, to the best of the author's knowledge this study is the first to use an interpretivist approach to examine the subjective perceptions of the individual Non Executive Director. The use of in-depth interviews to develop thick descriptions has allowed a unique insight into the Non Executives' perceptions. The unstructured nature of the interviews, combined with the guaranteed anonymity of the one-to-one interview within the study participants' own environment encouraged the study participants to reveal insights, which had previously remained veiled, because of their sensitive nature.

#### **7.2.2 Contributions to Management Practice**

Ahmed (2004: 1) calls for work that "builds deep understanding of what works, why and under what circumstances". Above all, this research contributes to management

practice by exploring the actual role of the Non Executive Director. The research provides a rich description of the experiences of real Non Executive Directors, not data extrapolated from a distant phenomenon. The study addressed the issues faced by Non Executive Directors on a daily basis and explores the symptoms and outcomes of behaviour from their own perspectives within the dynamic environment of the board of directors. In particular, the study provides guidance to those who wish to improve the relationships between business and society, by highlighting the current problems that the Non Executive Directors experience in trying to contribute to this important endeavour.

The research contributes to management practice by highlighting the role of boardroom dynamics in mediating the ability of those within the board to make a useful contribution. In particular, it highlights the need to ensure that board members understand their purpose and are provided with the facilities necessary to fulfil their role. The research suggests that Non Executive Directors are often restricted from forming ties with both other board members and the wider organisation. This inhibits their ability to contribute to debate, by limiting access to information and reducing the ability of individuals to act together. Practitioners need to find ways to overcome this problem so as to create more balanced power structures within the boardroom, where each board member is recognised and appreciated for the unique capabilities that he or she can bring to the debate. The research suggests that through the development of more balanced power structures; boards may be able to overcome the problems of groupthink, which the research suggests permeates many boardrooms.



The findings reveal a strong preference for financial language in the boardroom, which may not always reveal the nuances necessary for effective decision-making. This type of language also makes it difficult for board members to introduce soft issues into the debate, as these are perceived as not fitting in to group behaviour norms. The research suggests that financial language is also difficult for some board members to understand. Practitioners need to find ways to introduce more contextual dialogue into the boardroom or, as a very minimum, ensure that all board members understand the debate in progress.

The study highlights the need to ensure that the board successfully utilises the unique capabilities of the individual Non Executive Director. The research findings imply that in many cases Non Executives feel frustrated by their inability to contribute, even in areas where they are considered to be an expert. One way of achieving this might be through the employment of boardroom staff, to facilitate the contribution of each board member.

The research has identified that Non Executive Directors often have insufficient resources for training and professional development. Insufficient information resources, thus, result in an over-reliance on interlocks for information, which leads to the dissemination of bad as well as good business practices. The implications of these findings are that more work needs to be done to develop reliable sources of information, training and personal evaluation for the Non Executive Director.

The research found that Non Executives use director interlocks to find out about corporate responsibility practices. The findings suggest that when a Non Executive Director sees good corporate responsibility practices, he may attempt to spread them through his interlocks with other boards. Boards who are trying to improve their corporate responsibility practices may benefit from recruiting members with linkages to firms already active in this particular area.

The study suggests that Non Executive Directors may suffer from role conflict and ambiguity; their understanding of what is expected of them is confused by the signals of divergent constituents. Most Non Executives do not receive a job description and few have ever spent time with their board discussing their purpose or evaluating each other's performance. This research highlights the need to insure that Non Executive Directors understand what is expected of them within each unique boardroom setting. A summary of the key research contributions is provided in table 7.1 on the next page.

**Table 7.1: Summary of Research Contribution**

<b>Contribution</b>	<b>Confirmed</b>	<b>Call in question</b>	<b>New</b>
<b>Theory</b>	Groupthink in the boardroom.	NED ability to fulfil boundary spanning role.	Role conflict and ambiguity in the NED role.
	Social sanctioning in the boardroom.	NED ability as member of upper echelon to circumvent role conflict.	Language as a source of power in the boardroom.
	Influence of interlocks on firms choices.	NED ability to influence corporate responsibility.	Interlocks as source of Corp. responsibility info.
	NED recognition of broad constituent issues.	NED role as shareholders agent.	NED decision-making process.
	Information asymmetry in the boardroom.		Complexity of boardroom dynamics.
	Importance of personal status and capabilities.		
<b>Methodology</b>	Value of interpretive methods in boardroom research.	Utility of positivistic research into boardroom behaviour.	
<b>Praxis</b>	Importance of boardroom dynamics.	NED role understanding.	Interlocks as source of Corp. responsibility info. NED role problems.
	Need for boardroom education.		Use of language in the boardroom.

**Source: Compiled by the Author**



### **7.2.3 Contribution Summary**

This research makes a contribution to our understanding of the role and contribution of the Non Executive director within the corporate board. It is hoped that the findings will be of value to both academics and also practitioners because theories are literally just theories unless they can be applied to the real world.

## **7.3 The Limitations of the Research**

The contribution to existing knowledge that this research makes, must be judged within important limitations. The consideration of limitations within any research project is crucial if the beneficiary is to understand the extent of the research contribution.

### **7.3.1 Research Bias**

Interpretivist inquiry is “unapologetically subjectivist” (Greene, 1994: 536). The use of an interpretivist research approach leads the realities of the researched and the researcher to become intertwined in the process of explanation. “Reality resides neither with an objective external world nor with the subjective mind of the knower but within the dynamic transaction between the two” (Barone, 1992: 31). As a result, it is recognised that the interpretation of the Non Executive Directors’ subjective perceptions must be viewed by the reader with some caution. The researcher has made every effort to overcome the possibility that her own perceptions might overwhelm those of the study participants. However the nature of the inquiry is certain to lead to some bias. A number of steps were taken to reduce this bias.

1. The researcher has allowed the Non Executive Directors' own voices to come through into the analysis.
2. The researcher has encouraged others to read the interview transcripts and the subsequent analysis to ensure that the researcher's personal bias has not advanced a particular notion without thought for other possibilities.
3. Interviews were all taped, transcribed and entered into NVivo for analysis and quick retrieval. This aided the analysis by ensuring that what the researcher thought she heard was the same as what was actually said; this was particularly useful given the depth and length of the interviews.
4. The technique of adding one instance at a time (Ragin, 1998) and then going back and analysing over the population of study participants has limited both the possibility of extreme bias and also the chance that something important might be missed.
5. Above all, the researcher has tried to behave ethically and with consideration for the study participants by remaining true to their own subjective perceptions of their role.

### **7.3.2 Limitations on the Voice of the Research**

The research has examined individual Non Executive Directors from their own perspective. The research, therefore, can only speak from the perspective of those individuals. However, as most of the study participants also held CEO and/or Chairmanships in other organisations some fertilisation between roles was inevitable. Additionally as part of the pilot study, interviews were conducted with a number of experts in the field, including consultants, head-hunters, academics and executive directors; this allowed the researcher to develop a deeper understanding of the Non

Executive Directors' context and also gave the researcher greater credibility with the study participants when entering the field.

### **7.3.3 Ethical Considerations**

As a result of the sensitivity and personal nature of many of the interviews that were conducted as part of this study, the researcher guaranteed all the study participants complete anonymity. The high profile nature of many of the study participants and the gravity, for the organisations with which they work, of the divulgence of their identities in this study could be considerable. In order to comply with this the researcher has altered the names of all the study participants and their organisations in the text of this thesis.

### **7.3.4 Sample Size Limitations**

The research gathered the subjective perceptions of 25 Non Executive Directors; the size of the study presents a limitation on the validity of its findings. Non Executive Directors tend to be very busy people, holding complex and highly sensitive job positions in multiple organisations so their diaries fill up months in advance. As a result, a larger sample was not feasible within the scope of the current project. It is possible that if a much greater number of Non Executive Directors had taken part in the study, a different picture may have emerged. However, as the research progressed it became clear that despite the unique setting of each board, there was much uniformity in the findings across the research. Once findings stabilise over a number of instances saturation is reached (Strauss and Corbin, 1990).



## **7.4 Areas of Further Investigation**

The contextual nature of this study has produced as many questions as it has given answers. The study has highlighted the importance of context as a mediator of contribution within the boardroom and particularly the presence of groupthink. This study examined the issue from the perspective of the individual Non Executive Director; further research now needs to examine the board of directors at group level. Interviews need to be gathered from the perspectives of different board members to better understand their own perceptions of what makes a board 'work', and what enables/inhibits individual contribution. Such research might best take the form of case studies based around different boards. The model presented in figure 6.2 of chapter six provides a starting point for further investigation into many of these issues.

The language of the boardroom proved to be a fascinating dynamic of group behaviour. This research was only able to examine the issue from one perspective. Understanding how language is used in the boardroom requires the cooperation of both the user of language and the receiver. Further research into boardroom language would necessitate access to multiple members of the same board.

Research also needs to address the issue of interlocking directorates; many studies have viewed interlocks as a negative influencer of board behaviour. This current study has highlighted the role that interlocks can play in encouraging corporate responsibility practices. Further studies need to investigate the context of interlocks; previous studies have tended to be positivistic. Qualitative research now needs to take place to add context to existing theory.

## **7.5 The PhD Journey**

This PhD journey is long and for some people tortuous. For myself, I have found it a wonderful and liberating experience. It has allowed me to meet a group of people to whom few have access. I will be forever in their debt for their generosity in sharing their personal views with me so freely. Although the process has certainly been long and at times arduous it has proved to be a very personal journey, I have watched my little daughter grow up at a pace comparable to the project.

As the thesis now at last nears completion, it is time to reflect on what has gone before and what is to come. The journey has certainly provided me with an understanding of what it is to be a researcher; Cranfield's unparalleled methodology course and the access to a learned academic community which it provides, affords great privileges to its PhD students and I count myself lucky to be amongst them.

However, if I am to take anything from this experience it is the importance of having a good supervisor or in my own case two great supervisors. Their guidance throughout this project has been positive, even when there did not seem to me to be anything to be positive about. They have simultaneously allowed me to discover for myself whilst ensuring that I did not go beyond the edge of reason! I hope that as I now move on into my own academic career I can emulate their abilities in some small way. The topic under enquiry has proved to be one of great interest to the world at large. The process of disseminating the research must now begin in earnest.

## **7.6 Summary**

This chapter brings the thesis to a close. The chapter has identified the contributions to knowledge that the research has made, acknowledged the limitations of the research and the research methodology and then suggested further potential avenues for investigation in the future. The aims of the research have been fulfilled.



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Appendix I: Initial Table of Key Themes

The reason for displaying the table below is to show the process that the researcher went through in order to reach the preliminary research findings. It is not designed to provide the reader with a useful tool in itself.

Key Themes arising from the pilot study

Interviewees								
Gender Age	1	2	3	4	5	6	7	8
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>
	60	55	45	45	65	50	60	50
Ambiguity	**	**	*	*	**	**	***	**
Background	*	*	*	*	*	**	**	**
Board Size	**	*	*				**	
Board Unity	**	**	*	**	**	**	***	**
Boundary Spanners	**	*	*	**	**	**	***	***
Business Case	**	**	*	**	**		***	***
CEO Style		**		**		*	***	***
Chair Style	**	**		**	**	**	***	*
Complexity	**	**			**	***	***	*
Control	**	**	*	*	**	*	***	***
Corp Rep	**	*		**	**	**	**	**
Corp Social Resp	**	**		**	***	*	*	*
Executive Role	**	***			*	**	***	***
Family Company	**	*						
Gender Issues		**		*		*		***
Individual Rep		**	*	**	**	*	***	**

Inferiority		**		***	**	*	***	**
Informal Meet	***	**	**	**	***	**	*	*
Information	**	*	*		**	**	**	**
Intimidation	**	**	*	***	**	*	***	***

Key: \* issue \*\*, Important issue \*\*\*, Critical Issue.

Key Themes arising from the pilot study Continued

Interviewees								
Gender Age	1	2	3	4	5	6	7	8
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>
	60	55	45	45	65	50	60	50
Legality		*	*			*	*	
Number of Meet	***	*		*		**	***	***
Personality	**	**		**	**	**	**	**
Relationships	**	***	*	***	***	***	***	***
Risk Corporate	**	*	*		**	***	***	
Risk Individual		**			*		***	
Safe Haven	**	**	*	**	*	**	***	*
Secrecy		*			**	*	*	*
Constituents	**	**		**		***	*	*
Succession	**	*			**	**	**	
Training	***	***	**	***	***	***	***	**
Team		**			**	**	***	***
Team Dynamic	**	**		**	**	**	***	***
Team Rep		*			**	*	***	
Time	***	**	**	**	**	**	*	*
Tokenism	**	**		*	*	*		**
Info Sharing	**	**	*	**	**	*	**	
Role Understanding	*	**	*	***	***	**	***	**

Key: \* issue \*\*, Important issue \*\*\*, Critical Issue.



## **Appendix II: Expansion of Key Themes and Question Map**

### **Advance Question Clarification for Respondents**

*Can you tell me a little about yourself? For example what are your current roles, what have you have done previously?*

**THEME ONE: The contribution of Non Executive Directors, role, impact, interests**

- 1) Little is currently known about the actual work of Non Executive Director's, there appears to be a general lack of understanding of their roles, objectives, their routine operations within the board and moreover their affect on the wider organisation.

What do you believe the role of Non Executive Director's to be?

**THEME TWO: The decision making process**

- 2) The way in which the board reaches decisions, is likely to be crucial to the successful operation of the organisation. If we are to improve the success strategies of the business it will first be necessary to understand how strategic decisions are reached. How are decisions made on the board of (Next): For example –

- (1) Do you meet as a board and debate until agreement is reached?
- (2) Do you reach decisions within the forum of a smaller committee?
- (3) Are decisions reached less formally?

**THEME THREE: The contribution of Senior Managers, role, impact and relationship with the Board**

- 3) In many modern boards the majority of members serve on a part time basis, senior executives therefore play a crucial role in the dissemination of information, without which it is unlikely the board will be able to function effectively. Successful channels for the upward as well as downward flows of information are likely to prove invaluable. How in reality does the work of the main board differ from that of the senior managers?

#### **THEME FOUR: Organisational context, life cycles, economics, effect on board composition**

- 4) Many studies of boards have ignored the effect of context. The organisations position within its economic life cycle and the wider environments within which it operates may impact on the effectiveness of the board and the ability of its members to operate as a team and also as individuals. Have you found that there are times in an organisations life cycle when your skills have been particularly useful?

#### **THEME FIVE: Capabilities of Non Executive Directors, skills, personal reputation and reputation by association**

- 5) The role of the board in developing corporate reputation is not clearly understood, although many argue that they play a fundamental part in its management. By understanding how the board impacts on the reputation of the organisation it may be possible to improve their overall contribution. How do you think a Non Executive Director's personal reputation and that of other organisations with which they are involved impacts on (Next)?

## **THEME SIX: Corporate Reputation the role and contribution of the board**

- 6) The reputation of any organisation consists of a highly complex mix of factors, some argue that it accounts almost entirely for a companies share value, moreover it is likely to be vital in generating and retaining customers, acquiring finance and possibly building supplier relationships. What do you think that the reputation of (Next) is based upon?

## **THEME SEVEN: The impact of corporate Constituents**

- 7) If we are to improve an organisations reputation we must first understand who the key constituents are how they impact upon the organisation and moreover how the organisation impacts on them. Can you talk about who you believe the constituents of (Next) to be?

## **THEME EIGHT: Perceived importance of corporate reputation in enhancing value and the role of context in this process**

- 8) If we are to manage corporate reputation effectively we need to identify and understand its most important elements. How important do you believe reputation is in enhancing/maintaining corporate value?

## **THEME NINE: Enhancing boardroom performance in the future**

- 9) Finally, in the long term the character and makeup of the boardroom appears to be changing, if these changes are to be effective and lead to heightened levels of performance and competitive advantage, we must start to look now at what makes a



good board member, what training they might require, what works and also what does not. How would you characterise a “good” board member within (Next)?

### **Question Map**

Can you tell me a little about yourself? For example what do you do now, what have you have done previously?

**THEME ONE:** The contribution of Non Executive Directors, role, impact, interests

What do you believe the role of the Non Executive Director to be?

**THEME TWO:** The decision making process

- 1) How would you describe the board of (Next) Does it have certain characteristics/culture?
  - a) Are these characteristics similar on other boards on which you sit?

**OR**

*Are the boards on which you sit all very similar in character/ culture?*

- 2) Do you think that the culture of the board, affects its ability to operate successfully?
  - (i) What do you think the reasons for this are?
- 3) How are decisions made on the board of (Next): For example –

Do you meet as a board and debate until agreement is reached?

Do you reach decisions within the forum of a smaller committee?

Are decisions reached less formally

a) What is the role of NED's in terms of corporate strategy?

i) Do you follow similar procedures on other boards on which you sit?

b) What part do governance procedures play in the boardroom?

i) Do you think that good governance contributes to the success of the organisation?

### THEME THREE: Corporate Reputation the role and contribution of the board

c) How do Non Executive Director's contribute in terms of the management of corporate reputation?

i) Within (Next) is the management of reputation seen as being the responsibility of all

ii) Is corporate reputation handled differently within other boards on which you sit?

4) What do you think that the reputation of (Next) is based upon?

i) Is this also the reputation that you desire for the future?

- b) Do you think that Non Executive Directors are more able to contribute to certain aspects of corporate reputation?
  - i) What are these areas?

**THEME FOUR: Capabilities of Non Executive Directors, skills, personal reputation and reputation by association**

- 5) How do you think a Non Executive Director's personal reputation and that of other organisations with which they are involved impact on (Next)?
  - a) What are there skills that you personally bring to the board that might allow you to make a positive contribution to corporate reputation?

**THEME FIVE: The Impact of Corporate Constituents.**

- 6) Can you talk about who you believe the constituents of (Next) to be?
  - i) Does your organisation consciously identify its constituents?
  - b) Are any of these groups more central to the success of the organisation than any others?
    - i) Can you put them in any kind of order for me?
  - c) What is the board's role in influencing the opinions of its constituents?



- i) Do you believe that the organisation consciously tries to present a different image to different constituents?
- d) How does organisational life cycle, economic climate (context) affect the ability of the board to manage corporate reputation?
- i) Can you think of any examples?

**THEME SIX: Perceived importance of corporate reputation in enhancing value and the role of context in this process.**

- 7) Is it part of the NED's role to consider and anticipate the wider implications of the organisation's actions?
- a) Do you believe this for altruistic reasons or is it also to do with corporate survival?
- i) How does this manifest itself within the boardroom?

Do you think that advancing issues of social responsibility is an important means of enhancing corporate reputation?

Can you think of any examples of this?

- 8) Are there certain social issues, which NED's are more likely to become involved with?
- 9) Do you think that there is any way of analysing these elements in terms of adding value, bearing in mind that this may not necessarily imply direct financial value?

**THEME SEVEN: The contribution of Senior Managers, role, impact and relationship with the Board**

10) How in reality does the work of the main board differ from that of the senior managers?

11) Is there ever disparity between senior managers and the board as to the key functions of the firm?

- i) How does this manifest itself? (*for example do NED's tend to take a longer term approach to the management of the organisation?*)
- ii) How are these resolved?
- iii) How important is it to have a shared vision?

**THEME EIGHT: Organisational context, life cycles, economics and the effect on boardroom composition**

12) Have you found as a Non Executive Director that there are times in an organisations life cycle when your skills have been particularly useful?

- a) Do you believe that the organisations stage in its life cycle should influence the composition of the board?
  - i) Does this actually happen in reality
- b) What percentage of NED's do you think should sit on the board?
  - i) Is there an ideal background for a Non Executive Director?

**THEME NINE: Enhancing boardroom performance in the future**

**13) How would you characterise the “ideal” board member within (Next)?**

- i) Would your description be different for other boards on which you sit?**
- ii) Why do you think that is?**
  
- b) Do you think the selection criterion for Non Executive Director’s and senior managers is designed towards the needs of the organisation?**
  - i) Can you think of any ways in which it might be improved?**
  
- c) How might Non Executive Director’s and senior managers enhance their skills for the future?**

**That brings us to the end of my questions, is there anything that you feel you would like to add?**

**Thank you for your time**